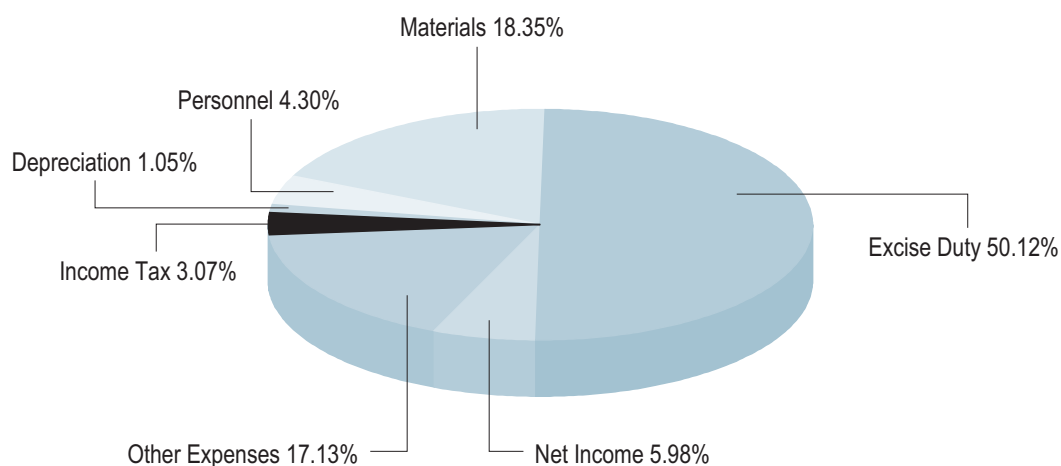


# FINANCIAL HIGHLIGHTS

## Revenue Distribution



## Financial Highlights

Rs in lacs

|                                    | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 | 1999-2000 | 1998-99 |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|---------|
| <b>CAPITAL EMPLOYED</b>            |         |         |         |         |         |         |         |         |           |         |
| Net Fixed Assets                   | 15337   | 12655   | 12984   | 12920   | 8732    | 7413    | 7037    | 6987    | 6384      | 5155    |
| Investments                        | 32957   | 24627   | 21100   | 19916   | 14473   | 15636   | 12873   | 8080    | 7722      | 3968    |
| Working Capital                    | 12205   | 10962   | 9809    | 4513    | 6575    | 5429    | 8510    | 12041   | 8619      | 13069   |
| Deferred Tax Assets (net)          | -       | -       | -       | 1576    | 1239    | 797     | -       | -       | -         | -       |
| Total                              | 60499   | 48244   | 43893   | 38925   | 31019   | 29275   | 28420   | 27108   | 22725     | 22192   |
| <b>FINANCED BY</b>                 |         |         |         |         |         |         |         |         |           |         |
| Shareholders' Funds                | 49996   | 41815   | 36046   | 32701   | 28950   | 25966   | 24170   | 21597   | 18775     | 16239   |
| Borrowings                         | 10338   | 6073    | 7439    | 6224    | 2069    | 3309    | 4029    | 5511    | 3950      | 5953    |
| Deferred Tax Liabilities (net)     | 165     | 356     | 408     | -       | -       | -       | 221     | -       | -         | -       |
| Total                              | 60499   | 48244   | 43893   | 38925   | 31019   | 29275   | 28420   | 27108   | 22725     | 22192   |
| <b>OPERATING PERFORMANCE</b>       |         |         |         |         |         |         |         |         |           |         |
| Gross Revenue                      | 187634  | 163277  | 145712  | 132538  | 120219  | 109639  | 96002   | 100439  | 109408    | 106249  |
| Excise Duty                        | 94040   | 82423   | 76176   | 61021   | 55769   | 52085   | 47049   | 44375   | 57193     | 55639   |
| Depreciation                       | 1977    | 1907    | 1837    | 1655    | 995     | 913     | 811     | 769     | 551       | 447     |
| Profit Before Taxation             | 16974   | 13523   | 9969    | 9995    | 7649    | 5690    | 7184    | 7237    | 6386      | 6808    |
| Profit After Taxation              | 11222   | 8810    | 6013    | 6360    | 5218    | 3791    | 4780    | 4656    | 4210      | 4603    |
| Dividend                           | 2600    | 2600    | 2340    | 2288    | 1976    | 1768    | 1924    | 1664    | 1508      | 1248    |
| Corporate Dividend Tax             | 442     | 442     | 328     | 321     | 258     | 227     | -       | 170     | 166       | 137     |
| Retained Earnings                  | 8180    | 5768    | 3345    | 3751    | 2984    | 1796    | 2856    | 2822    | 2536      | 3218    |
| <b>INVESTORS' DATA</b>             |         |         |         |         |         |         |         |         |           |         |
| Earning Per Equity Share (Rs)      | 107.92  | 84.73   | 57.82   | 61.16   | 50.18   | 36.45   | 45.96   | 44.77   | 40.48     | 44.27   |
| Dividend Per Equity Share (Rs)     | 25.00   | 25.00   | 22.50   | 22.00   | 19.00   | 17.00   | 18.50   | 16.00   | 14.50     | 12.00   |
| Book Value Per Equity Share (Rs) @ | 478.52  | 399.84  | 344.37  | 312.20  | 276.12  | 247.43  | 230.15  | 205.42  | 178.27    | 153.89  |
| Number of Shareholders             | 12824   | 12740   | 11261   | 11719   | 12539   | 13068   | 13198   | 13797   | 14004     | 15557   |

@ Excluding Revaluation Reserve

# DIRECTORS' REPORT

## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors deem it a privilege to present the Annual Report and Accounts for the year ending March 31, 2008.

### GENERAL ECONOMIC ENVIRONMENT

The Indian economy has been stable and robust in recent times, with a distinct move towards a higher growth plane. A consistent 8.7% GDP growth rate has been supported by favourable economic indicators such as huge inflow of foreign funds, growing foreign exchange reserves, both an IT and real estate boom and a vibrant capital market.

The Government has been committed to strengthening economic fundamentals. The fiscal deficit has been brought down from 4.5% at the start of this Government's tenure to the present 3.2% (2007-08 B.E.). The economy has been on a robust growth trajectory, reflecting an increase in savings and investments-to-GDP ratio from 29.8% (2003-04) to 34% (2006-07). The Government has also successfully managed a higher collection of taxes, with the tax-to-GDP ratio having increased from 9.2% (2003-04) to 11.7% (2007-08 B.E.).

There has been a loss of dynamism in the Agriculture and allied sectors in recent years, with a gradual degradation of natural resources through overuse and inappropriate use of chemical fertilisers affecting soil quality and yield levels. The Agricultural sector has grown at 2.6% during 2007-08 as against the previous year's growth of 3.8%. The Industrial sector witnessed a growth of 9.2% during April-November 2007.

Inflation has risen rapidly since the beginning of this calendar year. It has remained above 11% for three consecutive weeks in June – 613 basis points higher than the upper limit of the inflation band fixed by the Reserve Bank for 2008-09. The RBI is taking a number of measures – both supply side and monetary – to achieve its target of bringing down inflation to 5.5% in 2008-09. The rising costs of oil, food and the resources needed for India's construction boom have all contributed to higher inflation. The Indian stock market has fallen more than 40% since January 2008. A large number of investors are optimistic about the long term health of the Indian market and feel that it may be undervalued today, indicating an investment opportunity and a necessary correction rather than a downtrend.

### Tobacco Industry and its Potential Impact of Taxation

The Union Budget 2008-09 has been a watershed for the Cigarette Industry as it has imposed an unprecedented increase in excise duty on cigarettes below 60mm length to about 500% and in the 60-70 mm length non-filter segment to about 250%, rendering about 30% of the Industry unviable and leading to a revenue loss of about Rs. 1000 crore. Additionally, with the 12.5% VAT introduced in the year 2007-08, this steep hike in excise duty is going to have a multiplier effect on cigarette prices to a significant extent.

The increase of excise duty on non-filter cigarettes less than 60mm long has resulted in a price increase to Rs 13.50 (for a 10 cigarettes pack) from the earlier Rs 5.00 or less. It has thus become unviable for a legitimate cigarette manufacturer to market a product at the Rs. 5 price band. This price point represents predominantly erstwhile beedi and chewing tobacco consumers who had migrated upwards to these cigarettes. The gap at this price band is filled either by other tobacco alternatives such as beedi, chewing tobacco or by cheaper, highly discounted cigarettes being sold at a price less than the tax payable.

On their part, consumers are forced to adopt these products due to their inability to absorb the price hike on their existing choice. While the shift to beedi and other tobacco forms is a retrograde step for tobacco consumers, it is the violation of compulsory licensing norms by unscrupulous manufacturers that is of serious concern to legitimate cigarette producers. Presently, tax-evaded and smuggled cigarette supplies form about 7% of the industry representing about 75 brands, which would only see a further increase.

The situation would be exacerbated by cheaper cigarettes from neighbouring countries being smuggled in to fill the price gap created by the non-filter segment. It is estimated that nearly 4bn filter cigarettes are made annually and sold by unscrupulous manufacturers without payment of excise duty. The steep increase in the price of non-filter cigarettes will give a boost to this illegal segment, further impacting revenue and de-stabilising the legitimate market.

The resultant loss of excise duty / state taxes is to the tune of Rs. 65 crore per month, and the market share of these deceitful manufacturers may increase to 20% if this activity is allowed to continue unhindered.

Keeping in view the lost revenue generation opportunity for the Industry and Government alike and the larger issue of encouraging fair business practices, it is imperative for the Government to initiate a multi-pronged and comprehensive approach to enforce compliance with regulations and wherever applicable, prescribe commensurate penalties.

Cigarettes continue to represent a mere 15% of the total tobacco consumed in India, with other forms such as beedis, chewing tobacco, snuff, etc., forming the rest. In contrast, cigarettes account for as much as 90% of total tobacco consumption in the rest of the world. Thus, while taxation policies targeting chiefly the Cigarette Industry pose a hindrance to numerous livelihoods and revenue losses for the exchequer, they fail in their efficacy of attempting to curb tobacco consumption.

High taxation coupled with the increasing availability of tax-evaded cigarettes would result in a steep decline of the Cigarette Industry – which has declined by about 12.5% from pre-Budget levels.

|             | Billion Sticks / Month                 |  | % +/- |
|-------------|--|--|-------|
|             | Pre - Budget                           | Post - Budget                          |       |
|             | Dec '07 / Feb '08<br>Average per month | Mar '08 / Jun '08<br>Average per month |       |
| Filters     | 6.79                                   | 7.71                                   | +13.5 |
| Non-Filters | 2.18                                   | 0.14                                   | -93.5 |
| Total       | 8.97                                   | 7.85                                   | -12.5 |

Industry Source

While the overall consumption of tobacco in India continues to increase, the last three decades have seen cigarettes' share of total tobacco consumption in India decline from 23% (1971-72) to about 15% currently. Cheaper, non-cigarette tobacco products like gutka and beedi account for an overwhelming 85% of the total tobacco consumption in India. This clearly indicates a significant shift of consumption from cigarettes to other tobacco forms. Currently, excise duties on cigarettes are, on an average, 34 times higher than those on other tobacco products, on a per kg basis. While tobacco consumption in other forms remains price-inelastic, cigarette consumption is very price sensitive.

Despite the above, it gives immense pleasure to your Directors to applaud the commendable efforts of all stakeholders of your Company.

### Marketing Regulations

Stringent regulations continue on advertising of tobacco products. Further, purportedly under the Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 ('COTPA'), the Central Government has promulgated (a) the Cigarettes and Other Tobacco Products (Packaging and Labelling) Rules, 2008 which mandate a graphic health warning on tobacco product packages and (b) The Prohibition of smoking in public places Rules, 2008 under which smoking is banned in public places including work places, shopping malls and cinema halls.

Your Company has been abiding by the law as a responsible corporate citizen.

### Regulatory Environment

Despite the fact that regulations on tobacco are becoming increasingly stringent worldwide, your Company favours legislation that is equitable, rational and keeping in view the larger interests of various stakeholders, including the tobacco farming community.

### Need for Comprehensive Tobacco Policy

#### Potential of Tobacco Sector

Tobacco is an important cash crop that provides livelihood to 38 million people and contributes a massive Rs. 10,000 crore in revenue to the exchequer; 85% of which is accounted for by the cigarette segment alone. Further, it fetches foreign exchange earnings to the tune of Rs. 1,700 crore annually. In comparison to the downward trend witnessed by the agriculture sector, cigarette tobacco farmers have been recording consistent growth in

# DIRECTORS' REPORT

terms of production, exports and farm prices, with India strongly positioned as the world's third largest tobacco producer.

Governments worldwide have been trying to regulate the use of tobacco with an array of laws. Apart from bans on consumption and advertising of tobacco products in public places, taxation has emerged as the most widely used means for the purpose. In India, most of these tax regulations tend to be aimed at the cigarette segment. The Cigarettes and Other Tobacco Products (Packaging & Labelling) Rules, 2008 stipulate the necessary display of pictorial warnings on tobacco products packages. The Prohibition of Smoking in Public Places Rules, 2008 disallow smoking in hotels, restaurants, open spaces, public places, as defined therein and impose strict penalties for violations. On its part, the Cigarette Industry has endeavoured to bring to light the very complex socio-economic environment it operates in, so that balanced, pragmatic and realistic regulations can be formulated.

Under the WHO / FCTC obligations, many Governments including the Indian Government are imposing newer and stringent restrictions in various forms on the Cigarette Industry. Although there is little evidence to depict the success of these mechanisms in controlling consumption, what is certain is their adverse effect on legal tobacco businesses.

Illicit trade deprives Governments of tax revenues, presents unfair competition to legal manufacturers and pushes inferior products on unsuspecting customers. Illicit trade boosts overall consumption because it lowers the average price of tobacco.

While the Government's policy is against allowing any manufacturing capacity enhancement in the cigarette / tobacco industry either through grant of industrial licence or through FDI, the EXIM Policy permits import of cigarettes under the OGL. This dichotomy does not serve the purpose of attempting to restrict the availability of cigarettes in the domestic market.

Moderate taxation on cigarettes and reducing the high duty differential between cigarettes and other tobacco products will encourage tobacco consumers to shift towards more contemporary forms of tobacco. It, therefore, becomes imperative that policies aimed at regulating tobacco must be based on a comprehensive understanding of the tobacco consumption patterns in India.

## Widening Tax Base for Tobacco Products

The tobacco taxation policy of India has been focusing primarily on cigarettes. There is a large differential between the high revenue generated from cigarettes and that from other tobacco products. This creates an opportunity to levy moderate rates and equitably distribute the tax burden across the Industry. The Ministry of Health & Family Welfare report on "Tobacco Control in India" has commented:

***"The beedi and chewing tobacco sectors, which constitute larger consumption segments, have not been adequately taxed as they are mostly in the unorganised sector and are also the preferred products of the poor who consume tobacco. Such a policy, however, ignores the reality that the non-cigarette sectors will contribute to the largest burdens of death and disability attributable to tobacco in India."***

The taxation regime would benefit by the systematic widening of the tobacco tax base to include a larger proportion of non-cigarette tobacco products. The Industry recommends a regulatory taxation framework encompassing moderate taxes on cigarettes, reduction of the taxation divide with other tobacco products and a comprehensive approach to addressing the concerns of various stakeholders.

## SEGMENTWISE PERFORMANCE IN 2007-2008

### Cigarettes

During the year under review, there was an overall improvement in sales volume of the Company's cigarette brands compared to that in the previous year. In value terms, the domestic cigarette sales were higher at Rs. 1637 crore compared to Rs. 1460 crore in the previous year giving an increase of 12%. Cigarette exports were higher at Rs. 22.27 crore compared to Rs. 11.49 crore in the previous year registering a significant increase of 94%. The Company launched new brands namely CLUV Spice – India's first clove based cigarette, Tipper Premium Filter and Cavanders Gold Leaf Filter in regular filter category in domestic market and a few others in the export markets.

Despite lower volumes in the first quarter of the current financial year, the domestic cigarette sales value was higher at Rs. 457 crore as against Rs. 379 crore in the corresponding quarter last year.

### Tea

This year was again a commendable year for the Tea division. The high decibel growth was even higher than the previous year's achievement. 2007-2008 has seen a consistent double digit growth in both volume and value of 20%, which is way ahead of the Industry levels. During the year under review, the domestic tea sales were higher at 4264 tonnes valued at Rs. 56.85 crore compared to 3560 tonnes valued at Rs. 47.46 crore in the previous year. Concerted efforts in the Tea division have gone in creating new, focused growth strategies for our entire portfolio, supported with sales and marketing initiatives and product development.

With a primary focus on the core brands of Super Cup, Symphony and Rangoli catering to separate product segments, and opening up of newer markets of Gujarat and Maharashtra, the Company has new geographies to reach and new opportunities for growth.

Consumer beverage choices are now evolving beyond basic tea. The Company has also plans to make its presence felt in this rapidly growing super-premium category with its main objective to provide high-growth, high-margin brand access to its portfolio leading to become a strong and consolidated Tea brand in India.

The factory and operations have been updated with TQM being selected as a theme for this year. The Company initiated the '5S' programme at the factory as part of good manufacturing practices.

Kaizen and Six Sigma projects at the factory have been initiated in order to gain continuous improvement, active worker participation, and certain intangible benefits.

During the first quarter of the current financial year the Company has been able to achieve tea sales in the domestic market of Rs. 13.22 crore as compared to Rs. 10.69 crore during the corresponding quarter last year.

### Exports

The following table shows the status of exports for different products during the year under report :

| Commodity / Product          | 2007- 2008<br>Value (Rs. in crore) | 2006 - 2007<br>Value (Rs. in crore) |
|------------------------------|------------------------------------|-------------------------------------|
| Tobacco and tobacco products | 111.72                             | 75.64                               |
| Tea                          | 5.72                               | 4.10                                |

The shareholders would be pleased to notice from the figures as above, significant improvement in the Company's performance during the year under review compared to the previous year. The head 'Tobacco and tobacco products' as above includes raw tobacco, cut tobacco and cigarettes. While cigarette exports in terms of value were higher by 94%, the un-manufactured tobacco export was significantly higher by 78% as compared to that in the previous year.

The Company continued to strengthen business of its own brands in markets of Gambia, Republic of Guinea and Sierra Leone with its brands 'Originals International' and 'Force 10'. The Company also opened Mozambique with its brand 'Ultima' in 10's pack. In addition to the existing markets in 2006-07, which were 15 in numbers, the Company has opened Mongolia, Mauritius and China in 2007-08.

The Company also looks at generating new business from Latin America, CIS, Middle East, South East Asia and will consolidate the business with its existing clients.

In the area of un-manufactured tobacco exports, the Company established new business relations in Indonesia, Philippines, Singapore, South Africa and Croatia besides identifying Agents in countries viz. Taiwan, Philippines and Libya. The Company also participated in Ethiopian, Libyan and Tunisian tenders and took proactive steps in inviting customers and agents to see its infrastructure, resulting in fruitful business association.

The Company is also hopeful of achieving higher targets by establishing business relations in countries viz. Singapore, Vietnam, Croatia, China, etc. for direct export orders.

During the first quarter of the current financial year ended 30th June, 2008 the performance of the major business segments was as here under :

| Commodity / Product          | Value<br>(Rs. in crore) |
|------------------------------|-------------------------|
| Tobacco and tobacco products | 58                      |
| Tea                          | 1.3                     |

Total exports in the first quarter represents an impressive increase in turnover by around 260% as compared to turnover in corresponding quarter of the previous year.



# DIRECTORS' REPORT

## Cigar

During the year under review, sales volumes grew by 113%, and the sales turnover increased by 34% to Rs. 4.42 crore.

Phillies Sweet Little, Hav-A-Tampa, and Dutch Treats played a pivotal role in expanding the distribution base to 18,000 outlets across India. Phillies Flavoured Cigars continue to grow in demand and the volume increased by 27%. Hav-A-Tampa Vanilla and Black Gold also maintained a steady trend. Don Diego, Santa Damiana and Flor de Copan continue to gain popularity and the sales grew by 7%. With the cooperation of our channel partners, Torcedores from Dominican Republic, staged Live Cigar Rolling in Bangalore, Mumbai, Delhi, Goa, and Kolkata for educating consumers on the skills and nuances of making hand rolled cigars.

Premium hand rolled cigars and short filler cigars from Davidoff received an enthusiastic response from the consumers, channel partners and five star hotels. Fourteen SKUs have been introduced during the year.

Exclusive distribution agreement was signed with Henri Wintermanns, Holland. Their most popular brand Café Crème in innovative tin packs of 5 cigars and 10 cigars were successfully launched across India and received enthusiastic response from the consumers.

There was an unprecedented increase of 100% in the import duty on cigars for the year 2008-09. The Company had to resort to increase price on most of the cigar brands. Major initiatives were taken to increase the distribution and drive sales in the first quarter.

The value of turnover during the first quarter of the current financial year was higher at Rs. 85 lacs as compared to Rs. 71 lacs in the corresponding quarter of the last year. The Company continued to be the market leader with 68% market share.

## Treasury Operations

As the shareholders are aware, the Company has been deploying its surplus funds, generated on an ongoing basis, primarily in debt oriented schemes of different reputed mutual funds. Since the pure debt funds are exposed to interest rate volatility prevailing in market, for quite sometime now the Company has been investing further surplus funds in Fixed Maturity Plans offered by different mutual funds. As on 31<sup>st</sup> March, 2008 out of total investments of Rs. 330 crore, an aggregate amount of Rs. 220 crore stood invested in Fixed Maturity Plans of different mutual funds.

As in previous years, the Company continued to invest its temporary surplus funds in liquid / short term schemes of different mutual funds. Such investments are primarily used in due course for payment of excise duties on cigarettes cleared every month.

The Company booked an aggregate amount of profit of Rs. 32.62 crore on sale / redemption of long as well as short term investments in mutual funds during the year under review.

## FINANCIAL PERFORMANCE

| FINANCIAL RESULTS                                  | 2007 - 2008<br>Rs. in lacs | 2006 - 2007<br>Rs. in lacs |
|--|----------------------------|----------------------------|
| Gross Profit                                       | 18951.25                   | 15188.87                   |
| Less: Depreciation                                 | 1977.49                    | 1906.58                    |
| Profit before taxation and exceptional items       | 16973.76                   | 13282.29                   |
| Add: Exceptional items (Refer Note 14 to accounts) | -                          | 240.59                     |
| Profit before taxation                             | 16973.76                   | 13522.88                   |
| Less: Provision for Taxation                       |                            |                            |
| - current  | 5174.41                    | 4071.00                    |
| - deferred tax                                     | (190.36)                   | (52.52)                    |
| - fringe benefit tax                               | 767.30                     | 693.98                     |
| Profit after tax for the year                      | 11222.41                   | 8810.42                    |
| Profit Brought Forward                             | 27278.26                   | 23009.36                   |
|  | 38500.67                   | 31819.78                   |
| <b>Appropriations</b>                              |                            |                            |
| Proposed Dividend                                  | 2599.70                    | 2599.70                    |
| Corporate Dividend Tax                             | 441.82                     | 441.82                     |
| Transfer to General Reserve                        | 1500.00                    | 1500.00                    |
| Surplus carried to Balance Sheet                   | 33959.15                   | 27278.26                   |
|  | 38500.67                   | 31819.78                   |

The overall sales turnover comprising cigarettes, tobacco, cigar and tea was higher at Rs. 1825 crore as against Rs. 1597 crore in the previous year, registering an increase of more than 14%. After providing for the taxation, the net profit of the Company was higher at Rs. 112.22 crore as against Rs. 88.10 crore in the previous year.

## DIVIDEND

Keeping in view the Company's overall performance for the year under report, the Board of Directors of the Company are pleased to recommend a dividend of Rs. 25.00 per share.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an adequate system of internal control commensurate with the size of the Company and the nature of its business, which ensures that transactions are recorded, authorised and reported correctly apart from safeguarding its assets against loss from wastage, unauthorised use and disposition.

The internal control system is supplemented by well documented policies, guidelines and procedures, an extensive programme of internal audit by a firm of chartered accountants and management reviews is in place.

## HUMAN RESOURCE DEVELOPMENT

A summary of few significant developments through various initiatives implemented and planned are as under :

1. The Company has undertaken an Organisation Restructuring Project to have business enabling organisation structures for evolving and upcoming businesses.
2. An Annual Employee Engagement Survey has been conducted to get employee feedback on organisational climate. The findings of this survey will help plan betterment on the area(s) highlighted by employees.
3. A set of select employees have been trained for counselling on professional issues and employee concerns. These employees would work along with the Human Resource Department as Enablers to workforce at large and to help the Line Managers deal with various people issues.
4. After accomplishing a series of Development Centres for Sales Function, a series of Development Centres have been planned for Operations Function.
5. Training on People Management & Leadership Skills in Sales is being planned as an initiative aimed at improving employee satisfaction and front line employee retention.

## CONSERVATION OF ENERGY

During the year under report, the measures initiated / implemented by the Company for conservation of energy included the following main items :

1. Sodium vapour street lights of 70 Volts were replaced with Metal Halide 50 watts.
2. Solar lighting has been introduced on test basis in the production area.

## TECHNOLOGICAL ABSORPTION, ADOPTION AND INNOVATION

The measures initiated / implemented during the year under report are :

1. Installation and commissioning of new boxer machine linked to Focke Packing Machine which helped us in doubling the productivity.
2. In-house conversion of packing machine for Slim cigarettes 20's, set up.
3. High speed cigarette making machine for king-size cigarettes was installed and commissioned.
4. Boiler Programming Logic Control (PLC) was changed to newer technology and was replaced with S7-200 PLC and Big LCD based-HMI was provided.
5. Laser-based detectors were provided on packing machines for quality improvement.
6. New fluidized bed drier for stem was installed and commissioned to improve cut stem expansion.
7. During the third year of Six Sigma implementation, seven projects were completed during the year.

## Research & Development

### New Product Development

1. Launch of CLUV spice cigarette, thus creating a new consumer base and gaining market share.
2. Launch of mint-based candies, thus entering into the fiercely competitive Confectionery arena and expanding Godfrey Phillips' business lines.
3. Development of products in cigarette allied businesses and tea, which will be launched over a period of time.
4. Creation of state-of-the-art labs to cater to the development of new food products such as Sensory lab, Microbiology lab, Bio-Safety lab and Instrument lab.



# DIRECTORS' REPORT

5. Formation of Patent Cell to drive the culture of patenting and successful filing of 8 patents.

## Benefits derived as a result of this Development

1. Augment the pace of New Product Development for existing business such as cigarette and tea and also for new businesses.
2. Create innovative products for consumers and thus add to both top-line and bottom-line growth.
3. Increased variants in domestic as well as export markets.

## Future Plan of Action

1. Intensifying work on New Product Development through outsourcing Research and in-house development of new products which will be developed using R & D Pilot Plants.
2. Creation of Product Categories that will fetch good volume and value growth for Godfrey Phillips.
3. Continuous upgradation of analytical facility and library to meet future challenges.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

The earnings in foreign exchange during the year under report by way of exports and other income amounted to Rs. 117.89 crore (previous year Rs. 80.62 crore) as against the foreign exchange outgo on imports, dividends and other expenditure aggregating to Rs. 76.15 crore (previous year Rs. 43.08 crore).

## FIXED DEPOSITS

At the end of the financial year, the balance on account of Fixed Deposits accepted from the Public and Members stood at Rs. 1,06,000 which included 8 deposits totalling Rs. 1,06,000 not claimed on due dates. There was no deposit liable to be transferred to the credit of Investor Education and Protection Fund. The unclaimed deposits as above could not so far be paid for non-receipt of claims from the concerned depositors.

Presently the Company is neither accepting fresh deposits nor renewing the existing ones as it is no longer economical for the Company to raise money through this mode of finance.

## DIRECTORS

Mr. S.V. Shanbhag, Mr. Lalit Kumar Modi and Mr. Samir Kumar Modi, Directors, will retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-election.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, it is hereby confirmed:

- (i) that in the preparation of the Annual Accounts for the financial year ended March 31, 2008, the applicable Accounting Standards had been followed;
- (ii) that the directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the accounts for the financial year ended March 31, 2008 on a 'going concern' basis.

## CORPORATE GOVERNANCE

The Company is committed to maximise the value of its stakeholders by adopting the principles of good Corporate Governance in line with the provisions of law and in particular those stipulated in the Listing Agreement with the stock exchanges. It encourages wide participation from all stakeholders. Its objective and that of its management and employees is to manufacture and market the Company's products in a way so as to create

value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy in general. Constant innovation in its operations across all the locations of the Company is an ongoing effort so as to obtain higher efficiencies.

A certificate from the auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with stock exchanges, is enclosed.

A certificate from Mr. K.K. Modi, Managing Director as the Chief Executive Officer (CEO) and Mr. R.N. Agarwal, Executive Vice President – Finance as the Chief Financial Officer in relation to the financial statements for the year ended March 31, 2008 along with a declaration of compliance with the code of business conduct of the Company by the Directors and the members of the senior management team of the Company during that year from the CEO were submitted to the Board in compliance with the requirement under clause 49 of the Listing Agreement with the stock exchanges and the same were taken note of.

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21-Consolidated Financial Statements, Group Accounts form part of this Report & Accounts. These Group Accounts have been prepared on the basis of audited financial statements received from the Subsidiary Companies and an Associate Company, as approved by their respective Boards.

## AUDITORS

A.F. Ferguson & Co., Chartered Accountants, the retiring Auditors, have offered themselves for re-appointment as Auditors for the Head Office as well as branch offices at Ahmedabad, Mumbai, Kolkata, Ghaziabad, Guntur, Hyderabad, New Delhi and Chandigarh.

## SUBSIDIARY COMPANIES

The Reports and Accounts of the Subsidiary Companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts including the Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them. This will help save considerable cost involved in printing and mailing of the Report and Accounts.

## GENERAL

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary.

## EMPLOYEES

The relations with the employees of the Company continue to be cordial and the Directors wish to record their appreciation of their dedicated services at all levels of operations in the Company.

## CONCLUSION

Your Directors look forward to the future with confidence and optimism.

**Respectfully submitted  
on behalf of the Board**

**New Delhi  
Dated: July 31, 2008**

**R. A. SHAH  
CHAIRMAN**

## Report on Corporate Governance for the year ended March 31, 2008

The Directors present the Company's Report on Corporate Governance

### 1. THE COMPANY'S GOVERNANCE PHILOSOPHY

GPI's Corporate Governance initiatives are devised for achieving basic objective of wealth creation for the benefit of all its stakeholders namely the shareholders, employees, business associates and the society at large. The Company believes in giving its executives ample freedom to operate and secure the Company's target by putting in best of their efforts.

The Board of Directors is primarily responsible for protecting and enhancing shareholders' value besides fulfilling the Company's obligations towards other stakeholders. The role of the Board of Directors is to provide strategic superintendence over the Company's management. The day to day management of the Company is vested in the managerial personnel and sufficient authority is delegated at different operating levels. Delegation of authority in the operating people helps generation of creativity and innovation. This also helps in harnessing potential of employees to the best advantage of the Company.

### 2. BOARD OF DIRECTORS

#### i) Composition

The Board of Directors of the Company consists of executive and non-executive directors and more than half of the Board comprises of non-executive directors. The non-executive directors are independent professionals drawn from amongst persons with experience in business /law/finance. At present the total strength of the Board of Directors is nine out of which five are non-executive Directors. The Chairman of the Board is a non-executive director and the minimum requirement of one-third of the Board consisting of independent directors is duly complied with. The non-executive directors of the Company have already submitted their declarations affirming their status as independent directors as on March 31, 2008.

#### ii) Attendance at the Board Meetings and the last Annual General Meeting, directorships and memberships/chairmanships of Board Committees of other Companies

| Director             | Executive/Non-Executive Independence | No. of Board Meetings attended | Attendance at last AGM | Membership/chairmanship of Board of other Companies * as at March 31, 2008 | Membership/chairmanship of other Board Committees # as at March 31, 2008 |
|----------------------|--------------------------------------|--------------------------------|------------------------|--|--|
| Mr. R.A. Shah        | Non-Executive & Independent          | 7                              | Yes                    | 14<br>(includes 2 as Chairman and 1 as Vice- chairman)                     | 9<br>(includes 5 as Chairman)  |
| Mr. K.K. Modi        | Executive                            | 6                              | Yes                    | 12   | 2<br>(includes 1 as Chairman)  |
| Mr. S.V. Shanbhag    | Executive                            | 4                              | Yes                    | 4  | 1  |
| Mr. Lalit Bhasin     | Non-Executive & Independent          | 3                              | No                     | 8  | 4  |
| Mr. Anup N. Kothari  | Non-Executive & Independent          | 7                              | Yes                    | 2  | None   |
| Mr. Lalit Kumar Modi | Executive                            | 4                              | Yes                    | 9  | 1<br>(as Chairman)   |
| Mr. C.M. Maniar      | Non-Executive & Independent          | 6                              | No                     | 10   | 8<br>(includes 1 as Chairman)  |
| Mr. O.P. Vaish       | Non-Executive & Independent          | 7                              | Yes                    | 5  | 3  |
| Mr. Samir Kumar Modi | Executive                            | 5                              | Yes                    | 9  | 1  |

\* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies.

# Represents memberships/chairmanships of Audit Committee and Shareholders/ Investors Grievances Committee (excluding private companies).

#### iii) Board Meetings held during the year

During the year 2007-08, seven Board Meetings were held on the following dates: April 27, 2007, June 20, 2007, July 31, 2007, August 20, 2007, August 30, 2007, October 27, 2007 and January 28, 2008.

In addition to the regular business items, other information as applicable pursuant to the requirements under the Listing Agreement with the Stock Exchanges were placed before the Board.

#### iv) The details of pecuniary relationship or transactions of the non-executive directors vis-a-vis the Company are given below:

| S. No. | Name of the director  | Amount involved (Rs. in lacs) | Nature of transaction                                      |
|--------|---|-------------------------------|--|
| 1      | Mr. R.A. Shah & Mr. C.M. Maniar (Senior Partners of Crawford Bayley & Co.)    | 11.28                         | Payment for professional services to Crawford Bayley & Co. |
| 2      | Mr. Lalit Bhasin (Proprietor of Bhasin & Co.)                                 | 6.14                          | Payment for professional services to Bhasin & Co           |
| 3      | Mr. O.P. Vaish (Relatives of Mr. O.P. Vaish are partners in Vaish Associates) | 12.22                         | Payment for professional services to Vaish Associates      |

#### v) Brief resume, experience and other directorships/board committee memberships

As per the Articles of Association of the Company, one-third of the total strength of the Board (i.e. three directors at present namely Mr. S. V. Shanbhag, Mr. Lalit Kumar Modi & Mr. Samir Kumar Modi) shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible shall be re-appointed subject to shareholders' approval.

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

|  |  |
|--|--|
| <b>1. Name of the Director</b>   | Mr. S.V. Shanbhag  |
| <b>Qualifications</b>  | M.Com, LL.B., ACS  |
| <b>Experience</b>  | <ul style="list-style-type: none"> <li>- Worked for 2 years in M/s. A.F. Ferguson &amp; Co., Chartered Accountants.</li> <li>- Joined the Company in 1949 and has considerable experience in the field of Finance, Accounts, Legal &amp; Secretarial matters.</li> <li>- Appointed as Company Secretary in the year 1963.</li> <li>- Since 1988 he has been working as Wholetime Director in GPI.</li> </ul>   |
| <b>Names of other companies in which he holds directorships of the Board and membership/chairmanship of committees of the Board*</b> | <ol style="list-style-type: none"> <li>1. Kamanwala Industries Ltd.</li> <li>2. Chase Investments Ltd.</li> <li>3. Manhattan Credits &amp; Finance Ltd.</li> <li>4. City Leasing and Finance Co. Ltd.</li> </ol>   |
| <b>2. Name of the Director</b>   | Mr. Lalit Kumar Modi   |
| <b>Qualifications</b>  | Studied Electrical Engineering and Business Administration at Pace University & Duke University, U.S.A. during 1983-86.  |
| <b>Experience</b>  | <ul style="list-style-type: none"> <li>- Underwent Training with Philip Morris Inc., New York in 1984 and Estee Lauder in 1985.</li> <li>- Management Trainee Finance in the Company in 1986.</li> <li>- President of International Tobacco Company Ltd. from 1987 to 1991.</li> <li>- Associated with the Company since February, 1992 as an Executive Director and acquired considerable experience in finance, marketing, advertising &amp; administration.</li> </ul>  |
| <b>Names of other companies in which he holds directorships of the Board and membership/chairmanship of committees of the Board*</b> | <ol style="list-style-type: none"> <li>1. Indofil Organic Industries Limited</li> <li>2. Modicare Limited</li> <li>3. Modi Reach Finance &amp; Investment (India) Limited</li> <li>4. Indian Cricket League Limited</li> <li>5. MEN Interactive Network Limited</li> <li>6. Modi Entertainment Limited (Also chairman of Audit Committee)</li> <li>7. Success Principles Limited</li> <li>8. Modicare Sales &amp; Services Limited</li> <li>9. Modern Home Care Products Limited</li> </ol>  |
|  | Note: Mr. Lalit Kumar Modi is son of Mr. K. K. Modi, Managing Director of the Company and also brother of Mr. Samir Kumar Modi, Executive Director of the Company  |
| <b>3. Name of the Director</b>   | Mr. Samir Kumar Modi   |
| <b>Qualifications</b>  | B.A. from Hindu College, Delhi University  |
| <b>Experience</b>  | <ul style="list-style-type: none"> <li>- Worked as Management Trainee with Philip Morris Inc. USA from August 1992 to December 1993 and acquired considerable experience in marketing &amp; distribution, development of cigarette brands &amp; retail promotions.</li> <li>- Handled MARLBORO promotion for the years 1993-94 and 1994-95.</li> <li>- Also acquired in depth knowledge of cigarette production in Philip Morris Inc. factories during 1992-93.</li> <li>- Associated with the Company since January 11, 1994 as Whole-time / Executive Director.</li> <li>- Launched first Multi Level Marketing Company in India in 1996.</li> <li>- In 1996, Samir established the Modicare Foundation to prevent the spread of HIV/ AIDS, enhance awareness and erase the myths and misconceptions surrounding the disease.</li> <li>- In 2004, Samir launched ColorBar Cosmetics in retail market. Today ColorBar has a significant market share in premium segment PAN India.</li> <li>- In 2005, he launched India's first of its kind convenience retail chain – Twenty Four Seven Retail Stores that are open 24 hours, 7 days a week.</li> </ul> |
| <b>Names of other companies in which he holds directorships of the Board and membership/chairmanship of committees of the Board*</b> | <ol style="list-style-type: none"> <li>1. Indofil Organic Industries Limited</li> <li>2. Modicare Limited (Also member of Audit Committee)</li> <li>3. Modi Reach Finance &amp; Investment (India) Limited</li> <li>4. Indian Cricket League Limited</li> <li>5. MEN Interactive Network Limited</li> <li>6. Modi Entertainment Limited</li> <li>7. Success Principles Limited</li> <li>8. Modicare Sales &amp; Services Limited</li> <li>9. Modern Home Care Products Limited</li> </ol>  |
|  | Note: Mr. Samir Kumar Modi is son of Mr. K. K. Modi, Managing Director of the Company and also brother of Mr. Lalit Kumar Modi, Executive Director of the Company.   |

\* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies. Represents memberships/chairmanships of Audit Committee and Shareholders/Investors Grievances Committee (excluding private companies).



(vi) **Legal Compliances**

Legal compliances applicable to the Company are taken note of and reviewed by the Board. The Company is in the process of implementing a system of tracking legal compliances in a structured manner with the help of a software developed by a professional firm. No material instances of non-compliance were noticed during the financial year.

(vii) **Code of Conduct**

The Company has a Code of business conduct applicable to the Board members and senior management team of the Company. Such Code of conduct is posted on the website of the Company.

All the Board members and senior management team have affirmed compliance with the Code of conduct as above for the financial year ended 31<sup>st</sup> March, 2008. A declaration signed by Mr. K.K. Modi, President & Managing Director as the Chief Executive Officer of the Company is annexed to this report.

**3. AUDIT COMMITTEE**

i) **Composition and terms of reference**

The Board of Directors of the Company have constituted an Audit Committee comprising of three non-executive independent directors namely Mr. O. P. Vaish, Mr. Anup N. Kothari and Mr. Lalit Bhasin, in pursuance of the provisions of Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee cover all the areas specified in Section 292A of the Companies Act, 1956 as well as those specified in clause 49 of the Listing Agreement. In pursuance of SEBI's Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29<sup>th</sup> October, 2004, the Board of Directors have revised the terms of reference of the committee so as to meet the requirements of the amended clause 49. Audit Committee of the Company consists of members who are financially literate and Mr. O.P. Vaish, Chairman of the Audit Committee possesses accounting and related financial management expertise by virtue of his long experience in the relevant areas. Mr. R. Joshi, Company Secretary acts as the Secretary to the Committee.

The Chairman attended the Annual General Meeting held on 30<sup>th</sup> August, 2007 to answer the shareholders' queries.

The terms of reference of the Audit Committee are in accordance with clause 49 of the listing agreement entered into with the stock exchanges and provisions of Section 292A of the Companies Act, 1956 and inter-alia include overseeing financial reporting process, reviewing the financial statements before submission to the Board, reviewing internal control systems and internal audit functions, etc. The Audit Committee also reviews the information relating to management discussion and analysis of financial condition, significant related party transactions, letters of internal control weaknesses issued by the statutory auditors and internal audit reports.

Audit Committee meetings are also attended by Managing Director being director in charge of finance, Executive Vice-President-Finance(Chief Financial Officer), Company Secretary, the Internal Auditors and the Statutory Auditors as the invitees.

ii) **Details of meetings and attendance of each member of the Committee**

During the financial year 2007-08, the Audit Committee met five times on April 27, 2007, June 20, 2007, July 31, 2007, October 27, 2007 and January 28, 2008.

| S. No. | Name                | Category of directors       | No. of Committee Meetings attended<br>(Total Meetings held-5) |
|--------|---------------------|-----------------------------|---|
| 1      | Mr. O.P. Vaish      | Non-Executive & Independent | 5   |
| 2      | Mr. Lalit Bhasin    | Non-Executive & Independent | 4   |
| 3      | Mr. Anup N. Kothari | Non-Executive & Independent | 5   |

**4. SUBSIDIARY COMPANIES**

- (i) Since the Company does not have any material non-listed Indian subsidiary company, the requirement for appointment of an independent director on the Board of such subsidiary is not applicable.
- (ii) The Audit Committee of the Company has reviewed the financial statements in respect of the investments made by its unlisted subsidiary companies at its meeting held on June 28, 2008.
- (iii) Copies of the minutes of the board meetings of all the unlisted subsidiary companies held during the year 2007-08 were placed at the board meeting of the Company held on April 26, 2008. Requirement relating to significant transactions and arrangements entered into between the Company and its unlisted subsidiary companies is not applicable to the Company since none of the subsidiaries is material.

**5. DISCLOSURES**

(A) **Basis of related party transactions**

- (i) **Transactions with related parties in the ordinary course of business:**  
Transactions with all the related parties referred to in note 11 of the Notes to the Accounts to the Financial Statements for the year ended March 31, 2008 are in the ordinary course of business. These transactions were placed at the Audit Committee meeting held on June 28, 2008.

(ii) **Transactions with related parties not in the normal course of business:**

There are no transactions entered into by the Company with the related parties during the financial year ended March 31, 2008 whose terms and conditions are not in the normal course of business.

(iii) **Transactions with related parties not on arm's length basis:**

There are no transactions entered into by the Company with the related parties during the financial year ended March 31, 2008 whose terms and conditions are not on arm's length basis.

(B) **Disclosure of Accounting Treatment**

The financial statements for the year ended March 31, 2008 comply with

the Accounting Standards issued by the Institute of Chartered Accountants of India.

(C) **Board Disclosures – Risk management**

The Company being an old established organization, has in place built-in internal control systems for assessing and mitigating elements of risks in relation to its operations. The departmental heads are reasonably alive of this aspect in their day to day functioning. However, with a view to apprise the Board of Directors of the risk management procedures and the steps to minimize/eliminate the same in a structured manner in terms of the requirement under Clause 49 of the Listing Agreement, the Company had engaged services of a reputed firm of Chartered Accountants to formulate risk management procedures for the Company. The draft documents comprising of the Company's Risk Profile, Policy Guidelines, Risk Register and Procedures to be followed for risk minimisation and management as prepared by the said consulting firm were submitted to the Board of Directors and the same were approved for implementation across the Company. The Risk Profile and the Management Procedures shall be reviewed periodically as directed by the Board.

(D) **Proceeds from public issues, right issues, preferential issues, etc.**

The Company did not raise any funds through public issues, right issues, preferential issues, etc. during the year.

**6. REMUNERATION TO DIRECTORS**

(i) **Remuneration policy**

The Company has not constituted any Remuneration Committee. The remuneration to be paid to the Managing/ Executive/Whole-time Directors is decided by the Board and recommended for approval by the shareholders at the Annual General Meeting. The Non-Executive Directors do not draw any remuneration from the Company other than the payment of sitting fee of Rs. 20,000 for each meeting of the Board and the Board Committee attended by them. As per provisions of the Articles of Association of the Company, the overall payment of sitting fees to a director for attending the Board and Committee meetings shall not exceed Rs.3 lacs in a financial year.

ii) Details of remuneration to the directors

(Amount in Rs.)

| Name of the Director              | Salary and Other Allowances* | Perquisites      | Commission       | Sitting Fees Board/ Committee Meetings | Total             |
|-----------------------------------|------------------------------|------------------|------------------|--|-------------------|
| Mr. R.A. Shah                     | Nil                          | Nil              | Nil              | 140,000                                | 140,000           |
| Mr. K.K. Modi <sup>1</sup>        | 8,250,000                    | Nil              | 5,500,000        | Nil                                    | 13,750,000        |
| Mr. S.V. Shanbhag <sup>2</sup>    | 528,000                      | 113,174          | Nil              | Nil                                    | 641,174           |
| Mr. Lalit Bhasin                  | Nil                          | Nil              | Nil              | 220,000                                | 220,000           |
| Mr. Anup N. Kothari               | Nil                          | Nil              | Nil              | 240,000                                | 240,000           |
| Mr. Lalit Kumar Modi <sup>3</sup> | 1,226,774                    | 1,578,433        | 1,226,774        | Nil                                    | 4,031,981         |
| Mr. C.M. Maniar                   | Nil                          | Nil              | Nil              | 180,000                                | 180,000           |
| Mr. O.P. Vaish                    | Nil                          | Nil              | Nil              | 240,000                                | 240,000           |
| Mr. Samir Kumar Modi <sup>4</sup> | 1,226,774                    | 1,727,826        | 1,226,774        | Nil                                    | 4,181,374         |
| <b>Total</b>                      | <b>11,231,548</b>            | <b>3,419,433</b> | <b>7,953,548</b> | <b>1,020,000</b>                       | <b>23,624,529</b> |

\* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

iii) Details of service contract, notice period, severance fees etc. of directors

<sup>1</sup>The Company has service contract with Mr. K.K. Modi, President & Managing Director for a period of three years with effect from August 14, 2006. The notice period is six calendar months by either party. No severance fees is payable to him. Besides fixed salary, Mr. K. K. Modi is also entitled to payment of performance linked incentive in the form of commission @ 2% of the net profits of the Company computed in the manner laid down under Sections 349, 350 and 351 of the Companies Act, 1956, subject to a ceiling of Rs. 60 lacs per annum w.e.f. August 30, 2007.

<sup>2</sup>The Company has service contract with Mr. S.V. Shanbhag, Whole-time Director for a period of three years with effect from October 1, 2007. His re-appointment as and when made shall be approved by the shareholders at the Annual General Meeting. The notice period is three months by either party. However, the Company has the right to terminate appointment forthwith upon payment of three months salary only in lieu of notice and in that case he is not entitled to any benefits or perquisites.

<sup>3</sup>The Company has service contract with Mr. Lalit Kumar Modi, Executive Director for the period from August 30, 2007 till the date of the Annual General Meeting to be held for the approval of the audited accounts for the financial year ending March 31, 2010. His re-appointment as and when made shall be approved by the shareholders at the Annual General Meeting. The notice period is six calendar months by either party. No severance fees is payable to him. Besides salary, allowances and perquisites, Mr. Lalit Kumar Modi is also entitled to payment of commission of Rs. 15,00,000/- per annum subject to a ceiling of 1% of the net profits of the Company computed in the manner laid down under Sections 349, 350 and 351 and the aggregate amount of salary, commission together with the monetary value of perquisites computed in the manner provided under the Income-tax Act, 1961 or Rules made thereunder shall not exceed Rs. 50 lacs per annum without the approval of shareholders in the General Meeting.

<sup>4</sup>The Company has service contract with Mr. Samir Kumar Modi, Executive Director for the period from August 30, 2007 till the date of the Annual General Meeting to be held for the approval of the audited accounts for the financial year ending March 31, 2010. His re-appointment as and when made shall be approved by the shareholders at the Annual General Meeting. The notice period is six calendar months by either party. No severance fees is payable to him. Besides salary, allowances and perquisites, Mr. Samir Kumar Modi is entitled to payment of commission of Rs. 15,00,000/- per annum subject to a ceiling of 1% of the net profits of the Company computed in the manner laid down under Sections 349, 350 and 351 and the aggregate amount of salary, commission together with the monetary value of perquisites computed in the manner provided under the Income-tax Act, 1961 or Rules made thereunder shall not exceed Rs. 50 lacs per annum without the approval of shareholders in the General Meeting.

The Company presently does not have any stock option scheme.

(iv) Details of shares/convertible instruments held in the Company by Non-Executive Directors and their relatives.

| S. No. | Name of the non-executive director/relative  | No. of shares held as on March 31, 2008 |
|--------|--|---|
| 1      | Mr. R.A. Shah<br>Mrs. A.R. Shah (Wife)   | 1208*<br>4000                           |
| 2      | Mr. Lalit Bhasin   | 400                                     |
| 3      | Mr. Anup N Kothari<br>Mrs. Neela Kothari (Daughter-in -Law)<br>Mrs. Suelve Khandelwal (Daughter) | 1200<br>500<br>750                      |
| 4      | Mr. C.M. Maniar jointly with<br>Mrs. K.C. Maniar (Wife)  | 688                                     |
| 5      | Mr. O.P. Vaish   | 400                                     |

\* Shares held as nominee of Philip Morris International Finance Corporation, USA

7. MANAGEMENT

As required under Clause 49 of the Listing Agreement, all the members of senior management team shall disclose their interest in all material, financial and commercial transactions, which may have a potential conflict with the interest of the Company at large.

The Management Team comprising of 13 members who are the top executives of the Company have disclosed to the Board of Directors of the Company about all the material financial and commercial transactions that have taken place during the financial year ended March 31, 2008 where they had personal interest. These include dealing in /holding of shares by them/their relatives in the Company, transactions entered into by them/their relatives with the Company, transactions entered into by the Company with the companies in which they/their relatives are Directors or Members and transactions entered into by them/their relatives with the subsidiary companies of the Company and these were placed before the Board of Directors of the Company at its meeting held on June 28, 2008.

8. SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company has a Share Transfer and Shareholders/Investors Grievance Committee which comprises of Mr. C.M. Maniar, a Non-Executive Director as its Chairman, Mr. K.K. Modi, President & Managing Director, Mr. S.V. Shanbhag, Whole-time Director and Mr. Lalit Bhasin, Non-Executive Director as its members. This Committee besides sanctioning share transfers/transmissions and other related matters, is also required to look into the redressal of shareholders' and other investors' complaints regarding transfer of shares, non-receipt of balance sheets and dividends, etc. Mr. R. Joshi, Company Secretary has been appointed as the Compliance Officer.

During the financial year 2007-08, 102 complaints were received from the shareholders/investors and same were solved to their satisfaction. There were neither any complaints nor any cases of share transfers pending as on March 31, 2008.

## 9. GENERAL BODY MEETINGS

Details of the last three Annual General Meetings (AGM) are as follows:

| Financial year | Date of AGM        | Time      | Location   |
|----------------|--------------------|-----------|--|
| 2004-05        | September 15, 2005 | 3:30 P.M. | Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400020 |
| 2005-06        | September 8, 2006  | 3:30 P.M. | Y.B. Chavan Auditorium, General Jagannath Bhosle Marg, Mumbai - 400021                                   |
| 2007-08        | August 30, 2007    | 3:30 P.M. | Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400020                           |

There was no other General Body Meeting during the last three years.

No special resolution was put through postal ballot during the year ended March 31, 2008 and no special resolution is proposed to be conducted through postal ballot at the ensuing Annual General Meeting.

During the last three years following special resolutions were passed:

| S. NO. | ANNUAL GENERAL MEETING AT WHICH SPECIAL RESOLUTION WAS PASSED | PARTICULARS OF THE RESOLUTION  |
|--------|---|--|
| 1.     | Sixty-Eighth AGM  | · Increase in the retainership fee of M/s. Bhasin & Co., Advocates by the Company & its wholly owned subsidiary International Tobacco Company Ltd from Rs. 14,000/- per month to Rs. 19,000/- per month & from Rs. 5,000/- per month to Rs. 18,000/- per month respectively. |
| 2.     | Sixty- Ninth AGM  | · Increase in the retainership fee of M/s. Bhasin & Co., Advocates by the Company's wholly owned subsidiary International Tobacco Company Ltd from Rs. 18,000/- per month to Rs. 28,000/- per month.   |
| 3.     | Seventieth AGM  | · Re-appointment of Mr. S.V. Shanbhag as Whole-time Director and increase in his remuneration  |

## 10. DISCLOSURES

- Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are stated in note 11 of the Notes to the Accounts attached with the financial statements for the year ended March 31, 2008. The said transactions have no potential conflict with the interest of the Company at large.
- There is no non-compliance of any legal provision of applicable laws and no penalties or strictures have been imposed by the stock exchanges, SEBI or any other statutory authority on any matter related to capital markets during the last three years.
- The Company does not have any Whistle Blower Policy.
- The Company has complied with all applicable mandatory requirements of clause 49 of the Listing Agreement during the year. The Company has not adopted any non-mandatory requirements.

## 11. MEANS OF COMMUNICATION

The quarterly, half yearly and annual results are published by the Company in all editions of Financial Express (English) and in Loksatta (Marathi). The quarterly and yearly results are also available on the Company's website : [www.godfreyphillips.com](http://www.godfreyphillips.com) as well as on Bombay Stock Exchange and National Stock Exchange websites: [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com). The half-yearly reports are not sent to household of the shareholders. During the year, there were no official news releases and no formal presentations were made to the institutional investors/analysts.

The Management Discussion and Analysis Report forms a part of the Directors' Report.

## 12. GENERAL SHAREHOLDER INFORMATION

- Annual General Meeting**  
**Date and Time** : August 28, 2008 at 3:30 p.m.  
**Venue** : Y.B. Chavan Auditorium, General Jagannath Bhosle Marg (Next to Sachivalaya Gymkhana), Mumbai-400 021
- Financial Calendar for 2008-09**  
 First Quarter Results : July, 2008  
 Second Quarter Results : October, 2008  
 Third Quarter Results : January, 2009  
 Annual Results : June, 2009
- Date of Book Closure** : August 25, 2008 to August 28, 2008 (both days inclusive)
- Dividend Payment Date** : Dividend payments shall be made on or after September 4, 2008 to those shareholders whose names shall appear on the Members' Register as on August, 2008.

## (v) Listing on the Stock Exchanges:

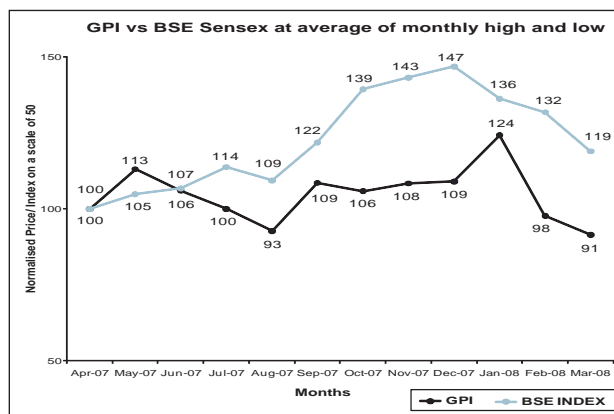
The Company's shares are listed on National Stock Exchange (Stock Code GODFRYPHLP), Bombay Stock Exchange (Stock Code 500163) and Calcutta Stock Exchange (Stock Code 10017335 for shares in demat form and 17335 for physical form.). The Company's application for delisting of its equity shares from Calcutta Stock Exchange is still pending decision by a committee set up for the purpose by them.

## (vi) Market Price Data of equity shares of the Company

High, Low during each month in the financial year 2007-08, on The Bombay Stock Exchange

| Month  | High (Rs.) | Low (Rs.) |
|--------|------------|-----------|
| Apr-07 | 1579.00    | 1133.00   |
| May-07 | 1595.00    | 1471.00   |
| Jun-07 | 1525.00    | 1350.55   |
| Jul-07 | 1462.00    | 1250.00   |
| Aug-07 | 1344.00    | 1172.00   |
| Sep-07 | 1665.00    | 1280.00   |
| Oct-07 | 1620.00    | 1250.00   |
| Nov-07 | 1608.00    | 1331.15   |
| Dec-07 | 1599.00    | 1358.00   |
| Jan-08 | 2220.00    | 1150.00   |
| Feb-08 | 1420.00    | 1230.00   |
| Mar-08 | 1375.00    | 1106.05   |

## (vii) Performance in comparison to BSE Sensex





# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## (viii) Registrars and Share Transfer Agent

Sharepro Services (India) Pvt. Ltd.  
Satam Estate  
3rd Floor, Above Bank of Baroda  
Cardinal Gracious Road, Chakala  
Andheri (East), Mumbai-400099  
Telephone No : 022-67720300, 67720400  
Fax No : 022-28375646 / 28591568  
E-mail : sharepro@shareproservices.com

## (ix) Share Transfer System

The Company's share transfer and related operations are handled by Sharepro Services (India) Pvt. Ltd., Registrars and Share Transfer Agent (RTA) who are registered with the SEBI as a Category 1 Registrar.

The shares for transfers received in physical mode by the Company/RTA, are transferred expeditiously provided the documents are complete and the shares are not under dispute. The share certificates duly endorsed are returned immediately to those who do not opt for simultaneous transfer cum dematerialisation. Confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories NSDL/ CDSL within 21 days.

## (x) Distribution of shareholding as on March 31, 2008

| Number of equity share holdings | Number of shareholders | Percentage of shareholders | Number of shares | Percentage of shares |
|---------------------------------|------------------------|----------------------------|------------------|----------------------|
| 1-50                            | 6216                   | 48.47                      | 112526           | 1.08                 |
| 51-100                          | 2477                   | 19.32                      | 224248           | 2.16                 |
| 101-500                         | 3654                   | 28.49                      | 791466           | 7.61                 |
| 501-1000                        | 268                    | 2.09                       | 192317           | 1.85                 |
| 1001-5000                       | 152                    | 1.19                       | 314604           | 3.03                 |
| 5001-10000                      | 14                     | 0.11                       | 99674            | 0.96                 |
| 10001 & Above                   | 43                     | 0.33                       | 8663949          | 83.31                |
| <b>TOTAL</b>                    | <b>12824</b>           | <b>100</b>                 | <b>10398784</b>  | <b>100</b>           |

## (xi) Categories of Shareholding as on March 31, 2008

| Category of Shareholder                | Number of Shares   | Percentage of Shares |
|--|--------------------|----------------------|
| <b>A. Promoter and Promoter Group</b>  | 7,496,387          | 72.09                |
| <b>B. Public Shareholding</b>          |                    |                      |
| Foreign Institutional Investors        | 903,219            | 8.69                 |
| Mutual funds/UTI                       | 125                | 0.00                 |
| Financial Institutions/Banks           | 9,703              | 0.09                 |
| Central Government/State Government(s) | 6,000              | 0.06                 |
| Bodies Corporate                       | 155,888            | 1.50                 |
| Individuals                            | 1,760,413          | 16.93                |
| Directors & Relatives                  | 7,441              | 0.07                 |
| NRIs and OCBs                          | 59,608             | 0.57                 |
| <b>Total Public Shareholding</b>       | <b>2,902,397</b>   | <b>27.91</b>         |
| <b>Total Shareholding (A+B)</b>        | <b>1,03,98,784</b> | <b>100</b>           |

## (xii) Dematerialisation of shares

The shares of the Company are compulsorily traded in the dematerialised form and are available for trading under both the Depository Systems- NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services (India) Ltd.). As on March 31, 2008, a total of 4,569,291 equity shares of the Company, which forms 43.94% of the share capital, stand dematerialised.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE260B01010.

## (xiii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments

The Company has no outstanding GDRs/ADRs/Warrants or any convertible instruments.

## (xiv) Plant Locations

The Company's plant is situated at Andheri (Mumbai) and the other one owned by the Company's wholly owned subsidiary, International Tobacco Company Limited, is located at Guldhar (Ghaziabad).

**Andheri Plant** : V.K.K. Menon Road (Sahar Road),  
Chakala, Andheri (East), Mumbai-400099

**Guldhar Plant** : International Tobacco Company Ltd.  
Delhi- Meerut Road  
Guldhar, Ghaziabad -201001

## Address for Correspondence

Shareholders should address all their correspondence concerning shares to the Company's Registrars and Share Transfer Agent, Sharepro Services (India) Pvt. Ltd. at the address mentioned at S. No. 12(viii) above or at:

Sharepro Services (India) Pvt. Ltd.  
912, Raheja Centre,  
Free Press Journal Road,  
Nariman Point, Mumbai- 400021  
Telephone No : 022-66134700  
Fax No : 022-22825484  
E-mail : sharepro@shareproservices.com

## 13. CEO/CFO CERTIFICATION

A certificate signed by Mr. K.K. Modi, President & Managing Director as CEO and by Mr. R.N. Agarwal, Executive Vice President – Finance as the CFO is attached with this report.

## 14. COMPLIANCE REPORT ON CORPORATE GOVERNANCE

The Company is regularly filing the Quarterly Compliance Report on Corporate Governance with the Stock Exchanges as per the format specified in Annexure 1B to the Clause 49 of the Listing Agreement.

For and on behalf of the Board

Place : New Delhi  
Date : 31<sup>st</sup> July, 2008

R.A. SHAH  
Chairman

## CERTIFICATE

### To the Members of Godfrey Phillips India Limited

We have examined the compliance of conditions of Corporate Governance by Godfrey Phillips India Limited for the year ended March 31, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For A.F. Ferguson & Co.**  
**Chartered Accountants**

Manjula Banerji  
Partner

Membership No. 086423

Place : New Delhi  
Date : 31<sup>st</sup> July, 2008

## CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER CERTIFICATION

**The Board of Directors**  
**Godfrey Phillips India Limited**  
**Bhilwara Bhawan**  
**40-41, Community Centre**  
**Friends Colony**  
**New Delhi – 110025**

We K.K. Modi, Managing Director being the Chief Executive Officer and R. N. Agarwal, Executive Vice-President - Finance as the Chief Financial Officer of Godfrey Phillips India Limited to the best of our knowledge and belief certify in relation to the financial statements for the year ended March 31, 2008 that:

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Also, during the year we have not come across

any instances of deficiencies in the design or operation of such internal controls requiring disclosure to the auditors and the Audit Committee.

- d. There were no significant changes in internal control over financial reporting and in accounting policies during the year requiring disclosure to the auditors and the Audit Committee. Also, we have not come across any instances of significant fraud during the year requiring disclosure to the auditors and the Audit Committee.

**K.K. MODI**  
Managing Director  
(Chief Executive Officer)

**R.N. AGARWAL**  
Executive Vice-President - Finance  
(Chief Financial Officer)

Place : New Delhi  
Date : June 28, 2008

## CHIEF EXECUTIVE OFFICER (CEO) CERTIFICATION ON COMPANY'S CODE OF CONDUCT

**The Board of Directors**  
**Godfrey Phillips India Limited**  
**Bhilwara Bhawan**  
**40-41, Community Centre**  
**Friends Colony**  
**New Delhi – 110 025**

I, K.K. Modi, Managing Director being the Chief Executive Officer (CEO) of Godfrey Phillips India Limited do hereby declare that all the members of the Board of Directors and the members of the Senior Management Team of the Company have affirmed compliance with the Code of business conduct of the Company during the financial year ended 31<sup>st</sup> March, 2008.

Place : New Delhi  
Date : June 28, 2008

**K.K. MODI**  
Managing Director  
(Chief Executive Officer)

## AUDITORS' REPORT

To the Members of Godfrey Phillips India Limited

1. We have audited the attached balance sheet of Godfrey Phillips India Limited as at March 31, 2008 and also the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
  - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008;
  - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
  - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 

For A.F. Ferguson & Co.  
Chartered Accountants

Manjula Banerji  
Partner  
Membership No. 086423

Place : New Delhi  
Date : 28<sup>th</sup> June, 2008
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the requirements of the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) on the basis of the written representations received from the directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:



## Annexure referred to in paragraph 3 of Auditors' Report to the Members of GODFREY PHILLIPS INDIA LIMITED on the accounts for the year ended March 31, 2008

- (i) (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a system of physical verification of fixed assets which is designed to cover all fixed assets once in a period of three years and in accordance therewith, no physical verification was due in the current year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
- (c) During the year, in our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company.
- (ii) (a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the record of inventories, in our opinion, the Company has maintained proper records of inventories and the discrepancies noticed on physical verification between the physical stocks and the book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanations given to us, the Company has, during the year, not granted any loan, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. In the previous year, the Company granted an unsecured loan of Rs. 150 lacs to a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount due during the year was Rs. 150 lacs and the year end balance of the loan granted was Rs. Nil.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loan granted by the Company, as referred to in paragraph 4(iii)(a) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) above, are, prima-facie, not prejudicial to the interest of the Company.
- (c) According to the information and explanations given to us, the party, to whom the loan was granted by the Company, as referred to in paragraph 4(iii)(a) above, has been regular in payment of interest. The principal amount of loan granted, as referred to in paragraph 4(iii)(a) above has been received during the year.
- (d) According to the information and explanations given to us, there are no amounts outstanding in respect of the loan granted as referred to in paragraph 4(iii)(a) above and interest thereon.
- (e) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii)(f) and (g) of the Order are not applicable.
- (iv) According to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods. There are no sale of services during the year. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weakness in the aforesaid internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that during the year, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under the section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5 lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time except for items stated to be of specialised nature for which there are no alternate sources of supply available to enable a comparison of prices.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from the public. As per information and explanations given to us, no order under the aforesaid sections has been passed by the Company Law Board or Reserve Bank of India or any court or any other tribunal, on the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We are informed that the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it except in few instances in respect of dues of tax deducted at source, entry tax, employees' state insurance, service tax and value added tax. We are informed that there are no undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, service tax, customs duty and cess matters

which have not been deposited on account of any dispute. The details of dues of sales tax, excise duty and income-tax as at March 31, 2008, which have not been deposited by the Company on account of dispute are as follows:-

| Name of the statute | Nature of the dues (Rs. Lacs) | Amount of dues* (Rs. lacs) | Amount deposited | Period to which the amount relates     | Forum where dispute is pending                |
|---------------------|-------------------------------|----------------------------|------------------|--|---|
| Sales Tax Laws      | Sales tax                     | 0.83                       | 0.25             | 1995-96, 2001-02                       | Sales Tax Tribunal                            |
|                     |                               | 19.20                      | 12.82            | 1997-98 to 1999-00, 2001-02 to 2006-07 | Upto Commissioners' Level                     |
| Central Excise Law  | Excise duty                   | 16.96                      | -                | 2000-01 to 2002-03, 2004-05 to 2006-07 | Customs Excise Service Tax Appellate Tribunal |
|                     |                               | 7.18                       | -                | 2004-05 to 2005-06                     | Customs Excise Service Tax Appellate Tribunal |
| Income-Tax Law      | Income-tax                    | 244.00                     | 244.00           | 1980 to 1983, 1995-96 to 1997-98       | High Court                                    |
|                     |                               | 283.47                     | 283.47           | 1999-00 to 2003-04                     | Income Tax Appellate Tribunal                 |
|                     |                               | 162.65                     | -                | 2001-02, 2002-03, 2004-05              | Upto Commissioners' Level                     |

\*amount as per demand orders, including interest and penalty, where quantified in the Order.

Further, as per information available with the Company, the concerned authority is in appeal against favourable orders received by the Company in respect of the following matters:-

| Name of the statute                 | Nature of the dues | Amount (Rs. lacs) | Period to which the amount relates     | Forum where department has preferred appeal   |
|-------------------------------------|--------------------|-------------------|--|---|
| Income Tax Law                      | Income tax         | 299.46            | 1969, 1974 to 1977, 1991-92 to 1994-95 | High Court                                    |
|                                     |                    | 248.79            | 1999-00 to 2003-04                     | Income Tax Appellate Tribunal                 |
| U.P. Krishi Utpadan Mandi Adhiniyam | Mandi cess         | 108.20            | 1997-98 to 1998-99                     | Supreme Court                                 |
| Central Excise Law                  | Excise duty        | 1.89              | 2004-05                                | Customs Excise Service Tax Appellate Tribunal |

- (x) The Company does not have accumulated losses as at the end of financial year March 31, 2008. Further, the Company has not incurred any cash losses during the financial year ended March 31, 2008 and in the immediately preceding financial year ended March 31, 2007.
- (xi) According to the records of the Company examined by us and on the basis of information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year. The Company has not taken any loans from financial institutions and has not issued debentures during the year.
- (xii) In our opinion and according to the explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- (xiii) Since the Company is not a chit fund or nidhi /mutual benefit fund/society, paragraph 4 (xiii) of the Order is not applicable.
- (xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion and according to the information and explanations given to us, the term loan taken during the year has been applied for the purposes for which it was obtained.
- (xvii) In our opinion and according to the explanations given to us, and on an overall examination of the balance sheet of the Company, we report that during the year short term funds have not been used to finance long term investments.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised money by way of public issue, during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year ended March 31, 2008.

For A.F. Ferguson & Co.  
Chartered Accountants

Place : New Delhi  
Date : 28<sup>th</sup> June, 2008

Manjula Banerji  
Partner  
Membership No. 086423

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## Balance sheet as at March 31, 2008

Rupees in lacs

|  | Schedule<br>Number | As at<br>31.3.2008 | As at<br>31.3.2007 |
|--|--------------------|--------------------|--------------------|
| <b>SOURCES OF FUNDS</b>                                  |                    |                    |                    |
| <b>Shareholders' funds</b>                               |                    |                    |                    |
| Share capital  | 1                  | 1039.88            | 1039.88            |
| Reserves and surplus                                     | 2                  | 48956.03           | 40775.14           |
|  |                    | 49995.91           | 41815.02           |
| <b>Loan funds</b>  |                    |                    |                    |
| Secured  | 3                  | 10338.08           | 6073.35            |
| <b>Deferred tax liabilities (net)</b>                    |                    |                    |                    |
|  | 12                 | 165.08             | 355.44             |
| <b>TOTAL</b>   |                    | <b>60499.07</b>    | <b>48243.81</b>    |
| <b>APPLICATION OF FUNDS</b>                              |                    |                    |                    |
| <b>Fixed assets</b>                                      |                    |                    |                    |
| Gross block  | 4                  | 26025.48           | 23109.02           |
| Less: Depreciation                                       |                    | 12835.84           | 11248.76           |
| Net block  |                    | 13189.64           | 11860.26           |
| Capital work-in-progress and advances on capital account |                    | 2147.42            | 794.60             |
|  |                    | 15337.06           | 12654.86           |
| <b>Investments</b>                                       |                    |                    |                    |
|  | 5                  | 32957.48           | 24626.57           |
| <b>Current assets, loans and advances</b>                |                    |                    |                    |
| Income accrued on investments                            |                    | 11.90              | 12.72              |
| Inventories  | 6                  | 23806.07           | 15129.58           |
| Sundry debtors   | 7                  | 2306.20            | 1569.61            |
| Cash and bank balances                                   | 8                  | 815.87             | 1427.60            |
| Loans and advances                                       | 9                  | 8544.64            | 7342.47            |
|  |                    | 35484.68           | 25481.98           |
| <b>Less:</b>   |                    |                    |                    |
| <b>Current liabilities and provisions</b>                |                    |                    |                    |
| Current liabilities                                      | 10                 | 16840.69           | 9129.14            |
| Provisions   | 11                 | 6439.46            | 5390.46            |
|  |                    | 23280.15           | 14519.60           |
| <b>Net current assets</b>                                |                    | <b>12204.53</b>    | <b>10962.38</b>    |
| <b>TOTAL</b>   |                    | <b>60499.07</b>    | <b>48243.81</b>    |
| Notes to the accounts                                    | 16                 |                    |                    |

For and on behalf of the Board of Directors

Per our report attached  
For A.F. FERGUSON & CO.,  
Chartered Accountants

Manjula Banerji  
Partner  
(Membership No. 086423)

New Delhi : 28<sup>th</sup> June, 2008

S. SERU  
Chief Executive (Domestic)

R.N. AGARWAL  
Executive Vice President (Finance)

R. JOSHI  
Sr. Vice President & Company Secretary

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## Profit and loss account for the year ended March 31, 2008

Rupees in lacs

|  | Schedule<br>Number | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|--------------------|------------------------------------|------------------------------------|
| <b>INCOME</b>  |                    |                                    |                                    |
| Gross sales  |                    | 182461.76                          | 159676.79                          |
| Less : Excise duty   |                    | 92168.56                           | 83528.33                           |
| Net sales  |                    | 90293.20                           | 76148.46                           |
| Other income   | 13                 | 5171.81                            | 3359.85                            |
|  |                    | <b>95465.01</b>                    | <b>79508.31</b>                    |
| <b>EXPENSES</b>  |                    |                                    |                                    |
| Raw and packing materials,<br>manufactured and other goods                 | 14                 | 34438.00                           | 30803.51                           |
| Manufacturing and other expenses   | 15                 | 40204.23                           | 34621.44                           |
| Depreciation   | 4                  | 1977.49                            | 1906.58                            |
| Increase/(decrease) in excise duty on finished goods                       |                    | 1871.53                            | (1105.51)                          |
|  |                    | <b>78491.25</b>                    | <b>66226.02</b>                    |
| Profit before taxation and exceptional items                               |                    | 16973.76                           | 13282.29                           |
| Exceptional items - Refer note 14  |                    | -                                  | 240.59                             |
| Profit before taxation   |                    | 16973.76                           | 13522.88                           |
| Provision for taxation - current tax                                       |                    | 5174.41                            | 4071.00                            |
| - deferred tax credit  |                    | (190.36)                           | (52.52)                            |
| - fringe benefit tax   |                    | 767.30                             | 693.98                             |
| Profit after taxation  |                    | 11222.41                           | 8810.42                            |
| Balance brought forward from previous year                                 |                    | 27278.26                           | 23009.36                           |
| Available for appropriation  |                    | <b>38500.67</b>                    | <b>31819.78</b>                    |
| <b>APPROPRIATIONS</b>  |                    |                                    |                                    |
| Proposed dividend  |                    | 2599.70                            | 2599.70                            |
| Corporate dividend tax   |                    | 441.82                             | 441.82                             |
| Transferred to general reserve   |                    | 1500.00                            | 1500.00                            |
| Surplus carried to balance sheet   |                    | 33959.15                           | 27278.26                           |
|  |                    | <b>38500.67</b>                    | <b>31819.78</b>                    |
| Basic and diluted earnings per share<br>(Face value of share - Rs.10 each) |                    | <b>Rs. 107.92</b>                  | <b>Rs. 84.73</b>                   |
| Notes to the accounts  | 16                 |                                    |                                    |

For and on behalf of the Board of Directors

Per our report attached  
to the balance sheet  
For A.F. FERGUSON & CO.,  
Chartered Accountants

Manjula Banerji  
Partner  
(Membership No. 086423)

New Delhi : 28<sup>th</sup> June, 2008

S. SERU  
Chief Executive (Domestic)

R.N. AGARWAL  
Executive Vice President (Finance)

R. JOSHI  
Sr. Vice President & Company Secretary

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors



# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## Cash flow statement for the year ended March 31, 2008

Rupees in lacs

|  | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|------------------------------------|------------------------------------|
| <b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |                                    |                                    |
| Net profit before tax  | 16973.76                           | 13522.88                           |
| Adjustments for:   |                                    |                                    |
| Depreciation   | 1977.49                            | 1906.58                            |
| Interest income from:  |                                    |                                    |
| Subsidiary companies   | (297.58)                           | (245.05)                           |
| Debts, deposits, loans, etc.   | (168.09)                           | (131.14)                           |
| Dividends from other long term investments   | (93.22)                            | (31.01)                            |
| Interest income from other long term investments                                   | (25.91)                            | (25.91)                            |
| Profit on redemption/sale of other long term investments                           | (2851.40)                          | (1885.91)                          |
| Profit on sale of current investments  | (411.01)                           | (344.40)                           |
| Exchange gain  | -                                  | (0.29)                             |
| Exchange gain on foreign currency borrowings                                       | (346.31)                           | (11.11)                            |
| Provision for wealth-tax   | 18.00                              | 17.00                              |
| Interest expense - fixed loans   | 344.45                             | 272.77                             |
| - others   | 23.01                              | 19.51                              |
| Fixed assets written off/written down  | 20.33                              | 64.37                              |
| Loss on sale of fixed assets   | 77.61                              | 119.63                             |
|  | <u>(1732.63)</u>                   | <u>(274.96)</u>                    |
| <b>Operating profit before working capital changes</b>                             | <b>15241.13</b>                    | <b>13247.92</b>                    |
| Adjustments for:   |                                    |                                    |
| Trade and other receivables  | (2060.99)                          | 402.83                             |
| Inventories  | (8676.49)                          | (157.94)                           |
| Trade and other payables   | 8551.63                            | (596.00)                           |
|  | <u>(2185.85)</u>                   | <u>(351.11)</u>                    |
| <b>Cash generated from operations</b>  | <b>13055.28</b>                    | <b>12896.81</b>                    |
| Interest received  | 281.16                             | 216.71                             |
| Direct taxes paid  | (5869.06)                          | (4709.18)                          |
|  | <u>(5587.90)</u>                   | <u>(4492.47)</u>                   |
| <b>Net cash from operating activities</b>  | <b>7467.38</b>                     | <b>8404.34</b>                     |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |                                    |                                    |
| Purchase of fixed assets   | (4968.26)                          | (1910.36)                          |
| Proceeds from sale of fixed assets   | 210.63                             | 119.02                             |
| Purchase of investments  | (132242.23)                        | (108818.01)                        |
| Proceeds from sale of investments  | 127173.73                          | 107522.26                          |
| Dividends from long term other investments   | 94.04                              | 33.46                              |
| Interest received from other long term investments                                 | 25.91                              | 25.91                              |
| Loans and deposits made  | (128.00)                           | (681.00)                           |
| Loans and deposits received back   | 320.00                             | 200.00                             |
| Interest received  | 174.47                             | 151.99                             |
| <b>Net cash used in investing activities</b>                                       | <b>(9339.71)</b>                   | <b>(3356.73)</b>                   |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>                                     |                                    |                                    |
| Term loan availed  | 4510.28                            | -                                  |
| Repayment of long term borrowings  | (1011.79)                          | (1167.20)                          |
| Proceeds from/(Repayment of) working capital borrowings                            | 112.55                             | (157.84)                           |
| Interest paid  | (316.31)                           | (301.86)                           |
| Dividend paid  | (2592.31)                          | (2333.66)                          |
| Corporate dividend tax paid  | (441.82)                           | (328.15)                           |
| <b>Net cash used in financing activities</b>                                       | <b>1260.60</b>                     | <b>(4288.71)</b>                   |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>                      | <b>(611.73)</b>                    | <b>758.90</b>                      |
| Opening cash and cash equivalents  |                                    |                                    |
| -Cash and bank balances  | 1427.60                            | 668.41                             |
| Closing cash and cash equivalents  |                                    |                                    |
| - Cash and bank balances   | 815.87                             | 1427.60                            |
| - Effect of exchange rate changes on exchange earner foreign currency bank balance | -                                  | (0.29)                             |
|  | <u>815.87</u>                      | <u>1427.31</u>                     |

For and on behalf of the Board of Directors

Per our report attached  
to the balance sheet  
For A.F. FERGUSON & CO.,  
Chartered Accountants

Manjula Banerji  
Partner  
(Membership No. 086423)

New Delhi : 28<sup>th</sup> June, 2008

S. SERU  
Chief Executive (Domestic)

R.N. AGARWAL  
Executive Vice President (Finance)

R. JOSHI  
Sr. Vice President & Company Secretary

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Schedules 1 to 16 annexed to and forming part of the accounts for the year ended March 31, 2008

Rupees in lacs

|  | As at<br>31.3.2008 | As at<br>31.3.2007 |
|--|--------------------|--------------------|
| <b>SCHEDULE 1 - Share capital</b>  |                    |                    |
| <b>AUTHORISED</b>  |                    |                    |
| 60,000 Preference shares of Rs. 100 each   | 60.00              | 60.00              |
| 2,44,00,000 Equity shares of Rs. 10 each   | <u>2440.00</u>     | <u>2440.00</u>     |
|  | <u>2500.00</u>     | <u>2500.00</u>     |
| <b>ISSUED, SUBSCRIBED AND PAID UP</b>  |                    |                    |
| 1,03,98,784 Equity shares of Rs.10 each fully paid up  | <u>1039.88</u>     | <u>1039.88</u>     |
| Of the above equity shares   |                    |                    |
| (i) 86,82,578 shares were allotted as fully paid up as bonus shares by capitalisation of general reserves Rs.311.57 lacs, share premium account Rs. 36.75 lacs and profits Rs.519.94 lacs. |                    |                    |
| (ii) 83,490 shares were allotted as fully paid up to the shareholders of D. Macropolo & Company Limited on amalgamation.   |                    |                    |
| <b>SCHEDULE 2 - Reserves and surplus</b>   |                    |                    |
| <b>REVALUATION RESERVE</b>   |                    |                    |
| Per last balance sheet   | 236.16             | 236.16             |
| <b>CAPITAL REDEMPTION RESERVE</b>  |                    |                    |
| Per last balance sheet   | 30.00              | 30.00              |
| <b>GENERAL RESERVE</b>   |                    |                    |
| Per last balance sheet   | 13230.72           | 11730.72           |
| Add: Amount transferred from profit and loss account   | <u>1500.00</u>     | <u>1500.00</u>     |
|  | 14730.72           | 13230.72           |
| <b>PROFIT AND LOSS ACCOUNT</b>   |                    |                    |
|  | <u>33959.15</u>    | <u>27278.26</u>    |
|  | <u>48956.03</u>    | <u>40775.14</u>    |

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Rupees in lacs

**As at  
31.3.2008**

**As at  
31.3.2007**

## SCHEDULE 3 - Loan funds

### SECURED

From banks:

- Term loans secured by way of an exclusive charge over specific plant and machinery (payable within 12 months Rs.1002.75 lacs; previous year Rs.1090.00 lacs)

**6422.18**

3270.00

- Cash credit and working capital demand loan secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the Company

**3915.90**

2803.35

**10338.08**

**6073.35**

## SCHEDULE 4 - Fixed assets

Rupees in lacs

|   | GROSS BLOCK (AT COST) |                |               | DEPRECIATION       |                    |                 |                  |                 | NET BLOCK          |                    |                    |
|---|-----------------------|----------------|---------------|--------------------|--------------------|-----------------|------------------|-----------------|--------------------|--------------------|--------------------|
|   | As at<br>31.3.2007    | Additions      | Deductions    | As at<br>31.3.2008 | As at<br>31.3.2007 | For the<br>year | On<br>deductions | Write<br>down** | As at<br>31.3.2008 | As at<br>31.3.2008 | As at<br>31.3.2007 |
| Goodwill  | 1.20                  | -              | -             | 1.20               | -                  | -               | -                | -               | -                  | 1.20               | 1.20               |
| Patents and trade marks   | 0.51                  | -              | -             | 0.51               | -                  | -               | -                | -               | -                  | 0.51               | 0.51               |
| Land (leasehold)  | 437.46 #              | -              | -             | 437.46 #           | -                  | -               | -                | -               | -                  | 437.46             | 437.46             |
| Land (freehold)   | 377.93                | -              | -             | 377.93             | -                  | -               | -                | -               | -                  | 377.93             | 377.93             |
| Buildings   | 1159.89 *             | 62.44          | -             | 1222.33 *          | 270.54             | 23.27           | -                | -               | 293.81             | 928.52             | 889.35             |
| Plant and machinery   | 17097.09              | 2661.40        | 305.89        | 19452.60           | 9418.63            | 1553.95         | 234.60           | -               | 10737.98           | 8714.62            | 7678.46            |
| Electrical installation and equipments  | 190.28                | 28.79          | 11.31         | 207.76             | 52.61              | 10.20           | 3.38             | -               | 59.43              | 148.33             | 137.67             |
| Computers and Information technology equipments   | 865.83                | 172.98         | 60.36         | 978.45             | 457.61             | 132.73          | 38.73            | -               | 551.61             | 426.84             | 408.22             |
| Furniture, fixtures and office equipments   | 1333.37               | 299.52         | 74.42         | 1558.47            | 561.61             | 92.38           | 29.96            | -               | 624.03             | 934.44             | 771.76             |
| Motor vehicles  | 1645.46               | 390.31         | 247.00        | 1788.77            | 487.76             | 164.96          | 83.74            | -               | 568.98             | 1219.79            | 1157.70            |
| Total   | <u>23109.02</u>       | <u>3615.44</u> | <u>698.98</u> | <u>26025.48</u>    | <u>11248.76</u>    | <u>1977.49</u>  | <u>390.41</u>    | <u>-</u>        | <u>12835.84</u>    | <u>13189.64</u>    |                    |
| Previous year   | <u>22340.38</u>       | <u>1346.88</u> | <u>578.24</u> | <u>23109.02</u>    | <u>9623.95</u>     | <u>1906.58</u>  | <u>307.47</u>    | <u>25.70</u>    | <u>11248.76</u>    |                    | 11860.26           |
| Capital work-in-progress and advances on capital account (net of write down of Rs. Nil; previous year Rs.6.55 lacs) |                       |                |               |                    |                    |                 |                  |                 |                    | 2147.42            | 794.60             |
|   |                       |                |               |                    |                    |                 |                  |                 |                    | <u>15337.06</u>    | <u>12654.86</u>    |

\* Includes Rs. 0.02 lac (previous year Rs.0.02 lac) being the cost of shares in co-operative societies and Rs.126.90 lacs (previous year Rs.126.90 lacs) towards cost of buildings for which titles are yet to be registered in the name of the Company.

\*\* Write down of certain items identified for disposal to their expected realisable value.

# Includes Rs. 425.98 lacs (previous year Rs.425.98 lacs) in respect of a plot of land, title for which is yet to be registered in the name of the Company.

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) Rs.1733.90 lacs (previous year Rs.2963.29 lacs).

2. Additions for the year are net of exchange gain of Rs. Nil (previous year Rs.37.16 lacs) on account of fluctuations in the rate of exchange including increase/decrease in rupee liability of long term foreign currency loan. Also, refer Note 15.

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

Rupees in lacs

As at  
31.3.2008

As at  
31.3.2007

## SCHEDULE 5 - Investments

### LONG TERM (At cost)

#### TRADE INVESTMENT - UNQUOTED

##### Subsidiary company

International Tobacco Company Limited

1,00,000 Equity shares of Rs.100 each fully paid up

100.00

100.00

##### Others

Molind Engineering Limited

3,500 Equity shares of Rs.10 each fully paid up

0.25

0.25

#### OTHER INVESTMENTS - QUOTED

Unit Trust of India

3,83,900 6.75% Tax Free US64 Bonds of Rs.100 each

383.90

383.90

#### OTHER INVESTMENTS - UNQUOTED

##### Subsidiary companies:

Chase Investments Limited

40,010 Equity shares of Rs.100 each fully paid up

40.01

40.01

1,58,490 Equity shares of Rs.100 each Rs.50 paid up

79.24

79.24

City Leasing and Finance Company Limited

4,00,020 Equity shares of Rs.10 each fully paid up

40.00

40.00

15,49,980 Equity shares of Rs.10 each Rs.5.50 paid up

85.25

85.25

Manhattan Credits and Finance Limited

19,50,000 Equity shares of Rs.10 each fully paid up

195.00

195.00

##### Others:

Success Principles India Limited

1,99,673 Equity shares of Rs.10 each fully paid up

19.97

19.97

Modi Entertainers Networks Private Limited

1,000 Equity shares of Rs.10 each fully paid up

0.10

0.10

Sundaram BNP Paribas Mutual Fund

38,53,758 Units of Sundaram BNP Paribas Bond Saver - Appreciation of Rs.10 each

597.31

597.31

Nil (Previous year 23,01,943) Units of Sundaram BNP Paribas Bond Saver - Bonus (Bonus Units) of Rs.10 each (sold during the year)

-

236.84

Franklin Templeton Mutual Fund

Nil (Previous year 25,59,040) Units of Templeton India Income Fund - Growth of Rs. 10 each (sold during the year)

-

353.50

10,00,000 (Previous year 20,00,000) Units of Templeton Monthly Income Plan-Half Yearly Dividend of Rs.10 each (10,00,000 Units sold during the year)

99.09

198.18

16,25,061 (Previous year 24,11,636) Units of Templeton India Government Securities Fund - Growth Plan of Rs.10 each (7,86,575 Units sold during the year)

268.46

398.40

35,90,487 Units of Franklin Templeton Capital Safety Fund -3 Years Plan - Growth of Rs.10 each

359.05

359.05

50,00,000 Units of Templeton Fixed Horizon Fund Series II - Plan A - Institutional - Growth of Rs.10 each (purchased during the year)

500.00

-

19,55,990 Units of Franklin Asian Equity Fund - Growth Plan of Rs. 10 each (purchased during the year)

200.00

-

50,00,000 Units of Templeton Fixed Horizon Fund Series VII - Plan A - Institutional - Growth of Rs.10 each (purchased during the year)

500.00

-

SBI Mutual Fund

Nil (Previous year 34,44,028) Units of Magnum Income Fund - Growth Plan of Rs.10 each (sold during the year)

-

397.87

22,92,313 Units of Magnum Monthly Income Plan-Growth Option of Rs.10 each

316.21

316.21

10,00,000 Units of SBI - Infrastructure Fund - I - Growth of Rs. 10 each (purchased during the year)

100.00

-

1,00,00,000 Units of SBI - Debt Fund Series - 13 Months -7- (18-Mar-08) - Institutional - Growth of Rs.10 each (purchased during the year)

1000.00

-

ICICI Prudential Mutual Fund

68,52,202 Units of ICICI Prudential Income Plan - Growth of Rs.10 each

967.60

967.60

Nil ( Previous year 99,68,157) Units of ICICI Prudential FMP- Growth Yearly XII Institutional of Rs.10 each (sold during the year)

-

1080.00

Nil (Previous year 50,00,000) Units of ICICI Prudential FMP Plan - Institutional Cumulative -XXVIII of Rs.10 each (sold during the year)

-

500.00

47,15,379 Units of ICICI Prudential Blended Plan A - Growth of Rs.10 each

500.00

500.00

30,00,000 Units of ICICI Prudential FMP Series 34- One year Plan B Institutional Growth of Rs.10 each

300.00

300.00

Nil (Previous year 1,31,55,625) Units of ICICI Prudential Hybrid FMP 13 Months Plan - Institutional - Growth of Rs.10 each (sold during the year)

-

1315.56

1,00,00,000 Units of ICICI Prudential FMP Series 41-19 Months Plan - Institutional - I - Cumulative of Rs.10 each (purchased during the year)

1000.00

-

90,00,000 Units of ICICI Prudential FMP Series 41-Fifteen Months Plan Institutional Growth of Rs.10 each (purchased during the year)

900.00

-



# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

Rupees in lacs

| As at<br>31.3.2008 | As at<br>31.3.2007 |
|--------------------|--------------------|
|--------------------|--------------------|

## SCHEDULE 5 - Investments (Continued)

|  |         |         |
|--|---------|---------|
| Birla Mutual Fund  |         |         |
| 71,09,185 (Previous year 42,47,005) Units of Birla Income Plus Plan B - Growth of Rs.10 each (28,62,180 units purchased during the year)                               | 1757.68 | 757.68  |
| Nil (Previous year 12,46,416) Units of Birla Gilt Plus Regular Plan - Growth of Rs.10 each (sold during the year)  | -       | 199.37  |
| 17,68,113 Units of Birla MIP Plan - Growth of Rs.10 each   | 277.78  | 277.78  |
| Nil (Previous year 50,00,000) Units of Birla FTP Series H - Growth of Rs. 10 each (sold during the year)   | -       | 500.00  |
| 30,90,896 (Previous year 28,35,235) Units of Birla Sun Life Monthly Income- Quarterly Dividend - Reinvestment of Rs.10 each (2,55,661 Units purchased during the year) | 348.94  | 319.83  |
| 100,00,000 Units of Birla FTP - Institutional - Series U - Growth of Rs. 10 each   | 1000.00 | 1000.00 |
| 54,68,650 Units of Birla FTP - Institutional -Series -V- Growth of Rs. 10 each (purchased during the year)   | 546.86  | -       |
| 19,51,219 Units of BSL International Equity - Plan B - Growth of Rs. 10 each (purchased during the year)   | 200.00  | -       |
| 50,00,000 Units of Birla FTP - Institutional - Series AK - Growth of Rs. 10 each (purchased during the year)   | 500.00  | -       |
| <br>Kotak Mahindra Mutual Fund   |         |         |
| Nil (Previous year 17,31,037) Units of Kotak Gilt (Investment Regular) - Growth of Rs.10 each (sold during the year)   | -       | 291.53  |
| Nil (Previous year 16,78,451) Units of Kotak Bond Regular - Growth of Rs.10 each (sold during the year)  | -       | 249.33  |
| 10,00,000 Units of Kotak Wealth Builder Series 1 - Growth of Rs.10 each  | 100.00  | 100.00  |
| 20,00,000 Units of Kotak Flexi Fund of Funds - Series II (Dividend) of Rs.10 each  | 200.00  | 200.00  |
| <br>DSP Merrill Lynch Mutual Fund  |         |         |
| Nil (Previous year 39,55,693) Units of DSP Merrill Lynch Bond Fund Retail - Growth of Rs.10 each (sold during the year)  | -       | 595.82  |
| 1,00,00,000 Units of DSP Merrill Lynch FMP 13 M Series 1 - Institutional Growth of Rs. 10 each (purchased during the year)   | 1000.00 | -       |
| <br>Standard Chartered Mutual Fund   |         |         |
| Nil (Previous year 22,40,889) Units of GSSG GSSIF - Investment Plan - Growth Option of Rs.10 each (sold during the year)   | -       | 269.48  |
| Nil (Previous year 1,50,00,000) Units of Grindlays Fixed Maturity 7th Plan -B - Growth of Rs.10 each (sold during the year)  | -       | 1500.00 |
| 50,00,000 Units of Standard Chartered Enterprise Equity Fund - Growth of Rs.10 each  | 500.00  | 500.00  |
| Nil (Previous year 1,37,87,625) Units of Standard Chartered Fixed Maturity Plan Yearly Series 1- Growth of Rs.10 each (sold during the year)                           | -       | 1378.76 |
| 50,00,000 Units of Standard Chartered Fixed Maturity Plan - Yearly Series 7- Growth of Rs.10 each (purchased during the year)  | 500.00  | -       |
| 30,00,000 Units of Standard Chartered Fixed Maturity Plan - Yearly Series 9 - Growth of Rs.10 each (purchased during the year)   | 300.00  | -       |
| 1,44,17,784 Units of Standard Chartered Arbitrage Fund - Plan B - Dividend of Rs.10 each (purchased during the year)   | 1493.37 | -       |
| 50,00,000 Units of Standard Chartered Fixed Maturity Plan - Yearly Series 17 - Plan B - Growth of Rs.10 each (purchased during the year)                               | 500.0   | -       |
| <br>HDFC Mutual Fund   |         |         |
| Nil (Previous year 40,56,978) Units of HDFC Income Fund - Growth of Rs.10 each (sold during the year)  | -       | 471.19  |
| 67,42,779 Units of HDFC FMP 367D April 2007(5) -Wholesale Plan Growth of Rs. 10 each (purchased during the year)   | 674.28  | -       |
| 1,50,00,000 Units of HDFC FMP 18M September 2007 (VI) - Wholesale Plan Growth of Rs.10 each (purchased during the year)  | 1500.00 | -       |
| 20,73,283 Units of HDFC Arbitrage Fund - Wholesale Plan - Quarterly Dividend of Rs. 10 each (purchased during the year)  | 207.33  | -       |
| 1,00,00,000 Units of HDFC FMP 18M January 2008 (VII) - Wholesale Plan Growth of Rs.10 each (purchased during the year)   | 1000.00 | -       |
| <br>DBS Chola Mutual Fund  |         |         |
| Nil (Previous year 7,85,989) Units of DBS Chola Triple Ace- Regular - Bonus- Bonus Units of Rs.10 each (sold during the year)  | -       | 88.89   |
| 30,00,000 Units of DBS Chola Fixed Maturity Plan -Series 6 (371 Days Plan) - Cumulative of Rs.10 each  | 300.00  | 300.00  |
| <br>HSBC Mutual Fund   |         |         |
| Nil (Previous year 50,00,000) Units of HSBC Fixed Term Series 13 Institutional Growth of Rs.10 each (sold during the year)   | -       | 500.00  |
| Nil (Previous year 1,00,00,000) Units of HSBC Fixed Term Series 9 - Growth of Rs.10 each (sold during the year)  | -       | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of HSBC Fixed Term Series 15 - Institutional - Growth of Rs.10 each (sold during the year)                                       | -       | 1000.00 |
| 1,07,99,900 Units of HSBC Fixed Term Series -32 Regular Growth of Rs.10 each (purchased during the year)   | 1079.99 | -       |
| 50,00,000 Units of HSBC Fixed Term Series - 44 Institutional Growth of Rs.10 each (purchased during the year)  | 500.00  | -       |
| <br>Principal Mutual Fund  |         |         |
| 38,42,983 Units of Principal Income Fund -Growth Plan of Rs.10 each  | 400.20  | 400.20  |
| 30,00,000 Units of PNB Fixed Maturity Plan - ( FMP-37) 385 Days - Series IV - Mar 07 Institutional Growth Plan of Rs.10 each   | 300.00  | 300.00  |
| <br>UTI Mutual Fund  |         |         |
| Nil (Previous year 1,00,00,000) Units of UTI - Fixed Maturity Plan - (YFMP/0906) Growth Plan of Rs.10 each (sold during the year)                                      | -       | 1000.00 |
| 1,00,00,000 Units of UTI Fixed Term Income Fund IV - III(08-14 Months) Institutional Plan of Rs.10 each (purchased during the year)                                    | 1000.00 | -       |

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

Rupees in lacs

| As at<br>31.3.2008 | As at<br>31.3.2007 |
|--------------------|--------------------|
|--------------------|--------------------|

## SCHEDULE 5 - Investments (Continued)

|   |                 |                 |
|---|-----------------|-----------------|
| Reliance Mutual Fund  |                 |                 |
| Nil (Previous year 14,11,423) Units of RMTF-Retail Plan - Growth Plan - Bonus Option of Rs.10 each (sold during the year)                                     | -               | 142.86          |
| Nil (Previous year 9,72,195) Units of RIF Retail Plan - Growth of Rs.10 each (sold during the year)   | -               | 100.00          |
| Nil (Previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund I -Annual Plan-Series III Institutional Growth Plan of Rs.10 each (sold during the year) | -               | 1000.00         |
| 50,00,000 Units of Reliance Fixed Horizon Fund II - Annual Plan - Series II - Institutional Growth Plan of Rs.10 each   | 500.00          | 500.00          |
| 1,00,00,000 Units of Reliance Fixed Horizon Fund -V- 3 Year Plan - Series - I - Institutional Growth Plan of Rs.10 each (purchased during the year)           | 1000.00         | -               |
| 50,00,000 Units of Reliance Fixed Horizon Fund IV- Series 7- Institutional Growth Plan of Rs.10 each (purchased during the year)                              | 500.00          | -               |
| 2,50,00,000 Units of Reliance Fixed Horizon Fund - IV Series - 5 - Institutional Growth Plan of Rs.10 each (purchased during the year)                        | 2500.00         | -               |
| <br>TATA Mutual Fund  |                 |                 |
| 50,00,000 Units of TATA Indo - Global Infrastructure Fund -Growth of Rs.10 each (purchased during the year)   | 500.00          | -               |
| 1,00,00,000 Units of TATA Fixed Investment Plan - 1 Scheme A - Institutional Plan - Growth of Rs. 10 each (purchased during the year)                         | 1000.00         | -               |
| <br>ING Mutual Fund (Formerly ING Vysya Mutual Fund)  |                 |                 |
| 16,67,838 Units of ING Vysya Income Fund - Short Term Plan - Growth option of Rs.10 each  | 219.25          | 219.25          |
| Nil (Previous year 1,00,00,000) Units of ING Fixed Maturity Fund - XXIV - Growth of Rs.10 each (sold during the year)   | -               | 1000.00         |
| 20,00,000 Units of ING Fixed Maturity Fund - XXXI Institutional Growth of Rs.10 each (purchased during the year)  | 200.00          | -               |
| 20,00,000 Units of ING Global Real Estate Fund - Retail Growth of Rs.10 each (purchased during the year)  | 200.00          | -               |
| 50,00,000 Units of ING Long Term FMP - 1 Institutional Growth of Rs.10 each (purchased during the year)   | 500.00          | -               |
| <br>AIG Mutual Fund   |                 |                 |
| 9,77,995 Units of AIG India Equity Fund Regular Growth of Rs.10 each (purchased during the year)  | 100.00          | -               |
| 9,77,995 Units of AIG Infrastructure and Economic Reform Fund Regular Growth of Rs.10 each (purchased during the year)  | 100.00          | -               |
| <br>DWS Mutual Fund   |                 |                 |
| 20,00,000 Units of DWS Fixed Term Fund Series 41- Institutional Growth of Rs.10 each (purchased during the year)  | 200.00          | -               |
| <br>Lotus India Mutual Fund   |                 |                 |
| 20,00,000 Units of Lotus India FMP -14 Months - Series II - Institutional Growth of Rs.10 each (purchased during the year)                                    | 200.00          | -               |
| <br>ABN Amro Mutual Fund  |                 |                 |
| 50,00,000 Units of ABN Amro FTP Series 10 Plan F Institutional Growth of Rs.10 each (purchased during the year)   | 500.00          | -               |
| <br><b>Government Securities</b><br>(Lodged as security with Government Authorities)  | <b>0.36</b>     | <b>0.36</b>     |
|   | <b>32957.48</b> | <b>24626.57</b> |
| <br>Aggregate amount of quoted investments  | <b>383.90</b>   | <b>383.90</b>   |
| Aggregate amount of unquoted investments:   |                 |                 |
| -Units of Mutual Funds  | 32013.40        | 23682.49        |
| -Others   | 560.18          | 560.18          |
|   | <b>32573.58</b> | <b>24242.67</b> |
| <br>Market value of quoted investments  | <b>389.47</b>   | <b>390.00</b>   |
| Net asset value/repurchase price of units of Mutual Funds   | <b>35277.32</b> | <b>27788.57</b> |

**Note:**

Details of current investments purchased and sold during the year:

- ING Vysya Liquid Fund Super Institutional-Growth Option 5,69,60,633 Units of Rs. 10 each at cost of Rs. 6575 lacs.
- ING Vysya Liquid Plus Fund Institutional-Growth 7,08,13,839 Units of Rs. 10 each at cost of Rs. 7285 lacs.
- Birla Sun Life Liquid Plus Institutional -Growth 8,61,19,153 Units of Rs.10 each at cost of Rs.12355 lacs.
- ICICI Prudential Institutional Liquid Plan Super Institutional Growth 8,37,99,898 Units of Rs.10 each at cost of Rs. 9329 lacs.
- UTI Liquid Cash Plan Institutional - Growth Option 8,93,480 Units of Rs. 1000 each at cost of Rs. 11545 lacs.
- Templeton Floating Rate Income Fund Long Term Plan Super Institutional - Growth 7,99,75,099 Units of Rs.10 each at cost of Rs 8146 lacs
- Tata Floater Fund Growth 39,24,05,756 Units of Rs.10 each at cost of Rs. 45695 lacs
- Reliance Liquid Plus Fund Institutional Option -Growth Plan 55,554 Units of Rs.1000 each at cost of Rs. 591 lacs
- Reliance Liquid Fund - Treasury Plan - Institutional Option -Growth 26,06,121 Units of Rs.10 each at cost of Rs. 500 lacs
- DSP Merrill Lynch Cash Plus - Institutional Growth 5,17,780 Units of Rs.1000 each at cost of Rs. 5290 lacs
- HSBC Cash Fund Institutional Plus Growth 45,90,853 Units of Rs.10 each at cost of Rs. 543 lacs
- Templeton Quarterly Interval Plan A - Institutional Growth 65,83,284 Units of Rs.10 each at cost of Rs.658 lacs.

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Rupees in lacs

| <b>As at</b>     | <b>As at</b>     |
|------------------|------------------|
| <b>31.3.2008</b> | <b>31.3.2007</b> |

## SCHEDULE 6 - Inventories

|  |          |          |
|--|----------|----------|
| At cost or under:                          |          |          |
| Stores and spare parts                     | 437.42   | 425.52   |
| At lower of cost and net realisable value: |          |          |
| Raw and packing materials                  | 16168.73 | 10054.32 |
| Work-in-process                            | 188.49   | 124.62   |
| Finished goods - Cigarettes                | 5342.31  | 3214.84  |
| - Cigars                                   | 338.10   | 174.86   |
| Other goods                                | 925.33   | 729.73   |
| Real estate*                               | 405.69   | 405.69   |
|  | 23806.07 | 15129.58 |

\*Includes land at revalued cost

## SCHEDULE 7 - Sundry debtors

|                                    |         |         |
|------------------------------------|---------|---------|
| CONSIDERED GOOD                    |         |         |
| Over six months - unsecured        | 7.12    | 17.45   |
| Others - secured                   | 20.83   | 4.10    |
| - unsecured                        | 2278.25 | 1548.06 |
| CONSIDERED DOUBTFUL                |         |         |
| Over six months - unsecured        | 67.84   | 70.96   |
| Others - unsecured                 | -       | 5.24    |
|                                    | 2374.04 | 1645.81 |
| Less: Provision for doubtful debts | 67.84   | 76.20   |
|                                    | 2306.20 | 1569.61 |

## SCHEDULE 8 - Cash and bank balances

|  |        |         |
|--|--------|---------|
| Cash on hand                               | 21.72  | 24.30   |
| Cheques on hand                            | 155.66 | 710.90  |
| With scheduled banks : On current accounts | 530.86 | 653.89  |
| : On margin money accounts                 | 106.33 | 38.06   |
| : On fixed deposit accounts**              | 1.30   | 0.45    |
|  | 815.87 | 1427.60 |

\*\* Lodged as security with Government Authorities

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Rupees in lacs

| <b>As at<br/>31.3.2008</b> | <b>As at<br/>31.3.2007</b> |
|----------------------------|----------------------------|
|----------------------------|----------------------------|

## SCHEDULE 9 - Loans and advances

Unsecured, considered good, unless otherwise stated:

|  |         |         |
|--|---------|---------|
| Advances recoverable in cash or in kind or for value to be received* | 2432.46 | 1677.13 |
| Inter corporate deposits   | 755.00  | 975.00  |
| Dues from subsidiary companies **                                    | 4080.14 | 3754.08 |
| With excise and customs on current/cenvat accounts                   | 376.76  | 95.71   |
| Income-tax recoverable   | 900.28  | 840.55  |
|  | 8544.64 | 7342.47 |

\* Includes Rs. 3.94 lacs (previous year Rs.4.85 lacs) due from officer/directors of the Company. Maximum amount due during the year Rs. 4.89 lacs (previous year Rs.8.97 lacs).

\*\* Dues from subsidiaries represent loans and advances recallable on demand and comprise of:

- i) Interest free loans to Kashyap Metal and Allied Industries Limited (given prior to insertion of section 372A on October 31, 1998) Rs.342.65 lacs (previous year Rs.342.65 lacs). Maximum amount due during the year Rs. 342.65 lacs (previous year Rs.342.65 lacs).
- ii) Interest bearing loans/advances to:
  - (a) Loans to Kashyap Metal and Allied Industries Limited Rs.1580.91 lacs including interest (net of tax) for the year (previous year Rs.1543.08 lacs). Maximum amount due during the year Rs. 1593.61 lacs (previous year Rs.1543.08 lacs).
  - (b) Advances to International Tobacco Company Limited Rs.2156.58 lacs (previous year Rs.1868.35 lacs). Maximum amount due during the year Rs.2197.35 lacs (previous year Rs.2088.05 lacs).

## SCHEDULE 10 - Current liabilities

Sundry creditors #

|  |          |          |
|--|----------|----------|
| Dues of micro and small enterprises (Refer Note 8) | 60.88    | 16.69    |
| Dues of other than micro and small enterprises     | 16695.54 | 9079.48* |
| Interest accrued but not due on loans and deposits | 84.27    | 32.97    |
|  | 16840.69 | 9129.14  |

# Sundry creditors do not include any amounts outstanding as on March 31, 2008 which are required to be credited to the Investor Education and Protection Fund.

\* Includes Rs.775.28 lacs due to small scale industrial undertakings.

## SCHEDULE 11 - Provisions

|                                      |         |         |
|--------------------------------------|---------|---------|
| Proposed dividend                    | 2599.70 | 2599.70 |
| Provision for corporate dividend tax | 441.82  | 441.82  |
| Taxation (net of payments)           | 966.36  | 815.98  |
| Provision for compensated absences   | 1873.74 | 1532.96 |
| Provision for gratuity               | 557.84  | -       |
|                                      | 6439.46 | 5390.46 |

## SCHEDULE 12 - Deferred taxation

Deferred tax liabilities

|                            |         |        |
|----------------------------|---------|--------|
| - Accelerated depreciation | 1027.68 | 889.89 |
| - Capital gains            | 45.31   | 109.73 |
|                            | 1072.99 | 999.62 |

Deferred tax assets

|  |        |        |
|--|--------|--------|
| - Accrued expenses deductible on payment | 884.85 | 618.28 |
| - Provision for doubtful debts/advances  | 23.06  | 25.90  |
|  | 907.91 | 644.18 |

|                                |        |        |
|--------------------------------|--------|--------|
| Deferred tax liabilities - net | 165.08 | 355.44 |
|--------------------------------|--------|--------|



# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

Rupees in lacs

|  | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|------------------------------------|------------------------------------|
|--|------------------------------------|------------------------------------|

## SCHEDULE 13 - Other income

Rent and hire charges (gross) from:

|                      |       |        |
|----------------------|-------|--------|
| - Subsidiary company | 4.80  | 4.80   |
| - Others             | 97.99 | 100.32 |

Interest (gross) from:

|                                |        |        |
|--------------------------------|--------|--------|
| - Subsidiary companies         | 297.58 | 245.05 |
| - Debts, deposits, loans, etc. | 168.09 | 131.14 |

Income (gross) from other long term investments:

|             |       |       |
|-------------|-------|-------|
| - Dividends | 93.22 | 31.01 |
| - Interest  | 25.91 | 25.91 |

Profit on redemption/sale of other long term investments 1885.91

Profit on sale of current investments 344.40

Doubtful debts and advances written back 5.70

Export incentives 82.08

Sundries 503.53

5171.81 3359.85

Tax deducted at source:

Interest income 74.92

Rent and hire charges 19.60

Sundries 0.45

## SCHEDULE 14 - Raw and packing materials, manufactured and other goods

Raw and packing materials consumed 21639.56 18997.06

Manufacturing charges paid to a subsidiary company

for cigarettes manufactured on our behalf 3338.35 2851.65

Purchases for resale (including transferred  
from raw and packing materials)

12010.27 7829.03

(Increase)/decrease in work-in-process, finished goods and other goods

Opening stock:

|                               |                |                |
|-------------------------------|----------------|----------------|
| - Work-in-process             | 124.62         | 102.03         |
| - Finished goods - Cigarettes | 3214.84        | 4546.15        |
| - Cigars                      | 174.86         | 119.37         |
| - Other goods                 | 729.73         | 602.27         |
| - Real estate                 | 405.69         | 405.69         |
|                               | <u>4649.74</u> | <u>5775.51</u> |

Closing stock:

|                               |                |                |
|-------------------------------|----------------|----------------|
| - Work-in-process             | 188.49         | 124.62         |
| - Finished goods - Cigarettes | 5342.31        | 3214.84        |
| - Cigars                      | 338.10         | 174.86         |
| - Other goods                 | 925.33         | 729.73         |
| - Real estate                 | 405.69         | 405.69         |
|                               | <u>7199.92</u> | <u>4649.74</u> |

(2550.18) 1125.77

34438.00 30803.51

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Rupees in lacs

|  | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|------------------------------------|------------------------------------|
| <b>SCHEDULE 15 - Manufacturing and other expenses</b>  |                                    |                                    |
| Salaries, wages and bonus  | 6095.29                            | 5010.71                            |
| Contribution to provident and other funds<br>(including administrative charges)  | 411.21                             | 355.09                             |
| Workmen and staff welfare expenses   | 700.57                             | 591.35                             |
| Contribution to gratuity and superannuation fund   | 866.01                             | 679.22                             |
| Consumption of stores and spare parts  | 27.48                              | 26.29                              |
| Power and fuel   | 687.02                             | 508.17                             |
| Repairs and maintenance - Buildings  | 256.64                             | 196.75                             |
| - Machinery  | 300.12                             | 262.18                             |
| - Others   | 271.19                             | 227.40                             |
| Rent (including Rs. 25.73 lacs; previous<br>year Rs. 28.07 lacs to a subsidiary company)   | 944.51                             | 716.08                             |
| Rates and taxes  | 2833.59                            | 3722.16                            |
| Insurance  | 308.69                             | 325.96                             |
| Freight and cartage  | 1151.54                            | 1111.53                            |
| Legal and professional expenses  | 1912.80                            | 1489.30                            |
| Auditors' remuneration   | 83.56                              | 73.19                              |
| Interest - Fixed loans   | 344.45                             | 272.77                             |
| - Others   | 23.01                              | 19.51                              |
| Cash discount  | 80.15                              | 61.07                              |
| Commission paid to other than sole selling agents  | 309.84                             | 113.25                             |
| Advertising and sales promotion  | 13794.01                           | 11198.18                           |
| Selling and distribution expenses  | 1777.69                            | 1762.01                            |
| Travelling and conveyance  | 1875.17                            | 1611.46                            |
| Donations  | 190.58                             | 130.48                             |
| Bad debts and advances written off   | 11.48                              | 0.38                               |
| Provision for doubtful debts and advances  | 2.95                               | 3.33                               |
| Fixed assets written off/written down  | 20.33                              | 64.37                              |
| Loss on sale of fixed assets   | 77.61                              | 119.63                             |
| Technical services fee and royalty   | 772.59                             | 666.87                             |
| Miscellaneous expenses   | 4074.15                            | 3302.75                            |
|  | <b>40204.23</b>                    | <b>34621.44</b>                    |
| (a) Consumption of stores and spare parts has been computed after<br>deducting the amount of spare parts charged to repairs and<br>maintenance - machinery | 222.92                             | 196.54                             |
| (b) Insurance has been computed after deducting the amount for transit<br>insurance charged to raw and packing materials, stores, etc.                     | 19.53                              | 11.90                              |

**SCHEDULE 16 – Notes to the accounts for the year ended March 31, 2008**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

**i) Fixed assets and depreciation**

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and include interest on loans attributable to the acquisition of qualifying assets upto the date of their commissioning.

Value of goodwill and patents and trade marks is not amortized because, in view of the management, there is no diminution in their value. No amortization is done in respect of leasehold land in view of the lease being perpetual.

Depreciation in the accounts is charged on the straight line method at the rates prescribed under the Companies Act, 1956 and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Extra shift depreciation is computed in full on a concern basis and not prorated to the number of days of shift working. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The depreciation rates which are different from the principal rates specified in Schedule XIV of the Companies Act, 1956 are as follows:-

Items of machinery and equipment costing upto Rs. 5,000 each acquired upto December 16, 1993

95%

Assets, other than data processing equipment, acquired upto December 31, 1987 and data processing equipment acquired upto December 31, 1986

SLM equivalent of rates applicable under the Income-tax Rules, 1962 at the time of acquisition of such assets.

**ii) Investments**

Long term investments are stated at cost net of provision for permanent diminution, if any. Current investments are stated at cost or fair value, whichever is lower.

**iii) Inventories**

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost or under and real estate which is valued at revalued cost of land and construction thereon at cost. The cost of raw materials, stores and spares and other goods is determined on monthly weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

**iv) Revenue recognition**

Sale of goods is recognised at the point of despatch of goods to customers. Sales are inclusive of excise duty where applicable but exclusive of sales tax. Income from investments is recognised on an accrual basis

**v) Employee benefits**

The Company has various schemes of employee benefits such as provident fund, superannuation fund and gratuity fund duly recognised by the Income-tax authorities. The funds are administered through trustees and the Company's contributions are charged against the revenue every year. Accrued liability for gratuity and compensated absences on retirement are determined on the basis of actuarial valuation at the end of the financial year.

**vi) Income-tax**

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**vii) Proposed dividends**

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

**viii) Research and development expenditure**

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred.

**ix) Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of transactions. Gains/losses on settlement of the transactions are taken to the relevant revenue heads in the profit and loss account. The monetary items are translated at the year end rates and the gains/losses are taken to the relevant revenue heads in the profit and loss account.

The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract in the profit and loss account. The exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of the contract/the last reporting date, is recognised as income or expense for the period. Also refer to Note 15 below.

**SCHEDULE 16 – Notes to the accounts (contd.)**

Rupees in lacs

| <b>For the year<br/>ended<br/>31.3.2008</b> | <b>For the year<br/>ended<br/>31.3.2007</b> |
|---|---|
|---|---|

**2. REMUNERATION OF DIRECTORS**

a) Included in Schedule 15 are:

|                            |               |               |
|----------------------------|---------------|---------------|
| Salaries*                  | 112.32        | 81.36         |
| Monetary value of benefits | 34.19         | 31.49         |
| Commission                 | 79.53         | 56.80         |
| Sitting fees               | 10.20         | 9.20          |
|                            | <b>236.24</b> | <b>178.85</b> |

\*excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

b) Computation of directors' commission and net profit in accordance with Section 198 of the Companies Act, 1956

|  |                 |                 |
|--|-----------------|-----------------|
| Profit before taxation   | 16973.76        | 13522.88        |
| Add/(less):  |                 |                 |
| Directors' remuneration  | 236.24          | 178.85          |
| Profit on redemption/sale of other long term investments                           | (2851.40)       | (1885.91)       |
| Bad debts and advances written off against provision                               | (4.46)          | (64.87)         |
| Provision for doubtful debts and advances (net)                                    | (3.90)          | (2.37)          |
|  | <b>14350.24</b> | <b>11748.58</b> |
| Maximum commission payable to the three working Directors @ 4% of the above profit | 574.01          | 469.94          |
| Restricted to  | 79.53           | 56.80           |

**3. AUDITORS' REMUNERATION\***

|  |              |              |
|--|--------------|--------------|
| As auditors  |              |              |
| Audit fee  | 35.00        | 31.00        |
| Out of pocket expenses   | 4.70         | 3.49         |
| In other capacity  |              |              |
| For limited review of unaudited financial results  | 24.00        | 21.75        |
| For corporate governance, consolidated financial statements and other certification work | 3.50         | 3.11         |
| For tax audit  | 9.50         | 8.50         |
| For miscellaneous certificates   | 6.86         | 5.34         |
|  | <b>83.56</b> | <b>73.19</b> |

\*Net of service tax

**4. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT**

|                     |        |        |
|---------------------|--------|--------|
| Revenue expenditure | 496.07 | 356.43 |
| Capital expenditure | 287.56 | 58.64  |



**SCHEDULE 16 – Notes to the accounts (contd.)**

Rupees in lacs

**As at  
31.3.2008**      **As at  
31.3.2007**

**5. CONTINGENT LIABILITIES NOT PROVIDED FOR**

|   |               |        |
|---|---------------|--------|
| a) Demands from excise, sales tax and other authorities disputed by the Company   | <b>265.31</b> | 288.50 |
| b) Undertaking given to a bank in respect of cash credit facilities granted to the subsidiary company- International Tobacco Company Limited upto the limit of Rs. Nil (previous year Rs.150 lacs) which was secured by hypothecation of stocks of that company. The actual overdrawn balance as on March 31, 2007 was Rs. Nil. | -             | -      |
| c) Uncalled liability on shares partly paid   | <b>148.99</b> | 148.99 |
| d) Surety given to U.P. Trade Tax Authority on behalf of subsidiary company-International Tobacco Company Limited   | <b>15.66</b>  | -      |

6. The following are the particulars of dues on account of sales tax, excise duty and income-tax as at March 31, 2008 that have been disputed by the Company in appeals pending before the appellate authorities:

| Name of the statute | Nature of the dues | Amount of dues *(Rs. lacs) | Amount deposited (Rs. lacs) | Period to which the amount relates     | Forum where dispute is pending                |
|---------------------|--------------------|----------------------------|-----------------------------|--|---|
| Sales Tax Laws      | Sales tax          | 0.83                       | 0.25                        | 1995-96, 2001-02                       | Sales Tax Tribunal                            |
|                     |                    | 19.20                      | 12.82                       | 1997-98 to 1999-00, 2001-02 to 2006-07 | Upto Commissioners' Level                     |
| Central Excise Law  | Excise duty        | 16.96                      | -                           | 2000-01 to 2002-03, 2004-05 to 2006-07 | Upto Commissioners' Level                     |
|                     |                    | 7.18                       | -                           | 2004-05 to 2005-06                     | Customs Excise Service Tax Appellate Tribunal |
| Income Tax Law      | Income tax         | 244.00**                   | 244.00                      | 1980 to 1983, 1995-96 to 1997-98       | High Court                                    |
|                     |                    | 283.47**                   | 283.47                      | 1999-00 to 2003-04                     | Income Tax Appellate Tribunal                 |
|                     |                    | 162.65**                   | -                           | 2001-02 , 2002-03, 2004-05             | Upto Commissioners' Level                     |

\* amount as per demand orders, including interest and penalty, where quantified in the Order.

\*\* provided for in the accounts

Further, there are no dues of wealth tax, customs duty and service tax which have not been deposited on account of any disputes.

**SCHEDULE 16 – Notes to the accounts (contd.)**

Further, as per information available with the Company, the concerned authority is in appeal against favourable orders received by the Company in respect of the following matters:

| Name of the statute                  | Nature         | Amount<br>(Rs. lacs) | Period to which the<br>amount relates     | Forum where department<br>has preferred appeal  |
|--------------------------------------|----------------|----------------------|---|---|
| Income Tax Law                       | Income<br>tax  | 299.46               | 1969, 1974 to 1977,<br>1991-92 to 1994-95 | High Court                                      |
|                                      |                | 248.79               | 1999-00 to 2003-04                        | Income Tax Appellate Tribunal                   |
| U.P.Krishi Utpadan<br>Mandi Adhinyam | Mandi cess     | 108.20               | 1997-98 to 1998-99                        | Supreme Court                                   |
| Central Excise Law                   | Excise<br>duty | 1.89                 | 2004-05                                   | Custom Excise Service Tax<br>Appellate Tribunal |

7. The Company and its contract manufacturer have received various show cause notices from Excise Authorities asking them to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Company does not consider these to constitute a liability of any kind.

8. Sundry creditors include Rs.60.88 lacs (previous year Rs.16.69 lacs) due to micro and small enterprises covered under "The Micro, Small and Medium Enterprises Act, 2006" to the extent such parties have been identified from the available information. The Company has not received any claim for interest from any party covered under the said Act.

9. The Company has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are cancellable in nature and range between two to three years and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Schedule 15.

The Company, pursuant to the contract manufacturing arrangement with its wholly owned subsidiary company International Tobacco Company Limited, has taken from it certain plant and machinery and equipments for use in its manufacturing operations. Hire charges payable in respect thereof have been charged as rent in Schedule 15 .

The Company has let out and sub-let part of its owned and rented office premises under lease arrangements which are cancellable in nature but renewable on mutually agreeable terms. The rent and hire charges receivable in respect thereof have been accrued as income in Schedule 13.

10. Exchange gain included in the profit and loss account for the year is Rs.384.12 lacs (previous year Rs.6.78 lacs).

11. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

(a) Subsidiary companies:

International Tobacco Company Limited  
Chase Investments Limited  
City Leasing and Finance Company Limited  
Manhattan Credits and Finance Limited

Kashyap Metal and Allied Industries Limited  
Unique Space Developers Limited

(b) Subsidiaries of the subsidiary companies:

Rajputana Infrastructure Corporate Limited  
Gopal Krishna infrastructure & Real Estate Limited

(c) Associates:

Philip Morris International Finance Corporation, of which the Company is an associate.

Success Principles India Limited, an associate of the Company.

(d) Key management personnel:

Mr. K.K.Modi President and  
Managing Director

Mr. Lalit Kumar Modi Executive Director

Mr. Samir Kumar Modi Executive Director

Mr. S.V.Shanbhag Whole-time Director

(e) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Modi Entertainment Limited  
Modicare Limited  
Modern Homecare Products Limited  
K.K.Modi Investment & Financial Services Private Limited  
Beacon Travels Private Limited  
Modipon Limited  
Assam Cigarette Company Private Limited  
R C Tobacco Private Limited  
HMA Udyog Private Limited  
Kaushambi Investment & Leasing Company Private Limited  
Bina Fashion N Food Private Limited  
Modicare Foundation  
Priyal Hitay Nidhi  
Colorbar Cosmetics Private Limited  
Gujarmal Modi Science Foundation  
Ananda Embroidery Industries Private Limited.  
Doruka Designs Private Limited

**SCHEDULE 16 – Notes to the accounts (contd.)**

(B) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end:

Rupees in lacs

| Nature of transactions  | Subsidiary companies |         | Associates |        | Key management personnel |        | Enterprises over which significant influence exists |         |
|---|----------------------|---------|------------|--------|--------------------------|--------|---|---------|
|   | 2008                 | 2007    | 2008       | 2007   | 2008                     | 2007   | 2008  | 2007    |
| Sale of goods, spare parts, etc.  | 0.63                 | 1.33    | -          | -      | -                        | 0.60   | 7.73  | 3.60    |
| Purchase of goods/services  | 5.22                 | 7.62    | -          | -      | -                        | -      | 858.49#   | 604.18# |
| Purchase of fixed assets  | -                    | -       | -          | -      | -                        | -      | 2.39  | 4.08    |
| Loans given   |                      |         |            |        |                          |        |   |         |
| - Kashyap Metal and Allied Industries Ltd.  | 28.00                | 331.00  | -          | -      | -                        | -      | -   | -       |
| Interest income   | 297.58               | 245.05  | -          | -      | -                        | -      | -   | -       |
| Rent and hire charges received  | 4.80                 | 4.80    | -          | -      | -                        | -      | 96.53   | 94.92   |
| Manufacturing charges paid  |                      |         |            |        |                          |        |   |         |
| - International Tobacco Company Ltd.  | 3338.35              | 2851.65 | -          | -      | -                        | -      | -   | -       |
| Rent paid   | 25.73                | 28.07   | -          | -      | -                        | -      | 22.95   | 22.41   |
| Payments for employees on deputation  | -                    | -       | -          | -      | -                        | -      | 85.47   | 82.17   |
| Donation given  | -                    | -       | -          | -      | -                        | -      | 102.35  | 95.60   |
| Expenses recovered  | 25.00                | 11.12   | -          | -      | 0.53                     | 0.53   | 0.82  | 2.27    |
| Expenses reimbursed   | 2238.27*             | 595.87* | -          | -      | -                        | -      | 3.08  | 4.89    |
| Dividend payment (gross)  |                      |         |            |        |                          |        |   |         |
| - Philip Morris International Finance Corpn.  | -                    | -       | 934.18     | 840.76 | -                        | -      | -   | -       |
| Managerial remuneration##   | -                    | -       | -          | -      | 226.04                   | 169.65 | -   | -       |
| Balance outstanding as at the year end  |                      |         |            |        |                          |        |   |         |
| - Loans and advances  | 4080.14              | 3754.08 | -          | -      | 2.72                     | 0.01   | 13.42   | 7.22    |
| - Sundry creditors  | -                    | -       | -          | -      | 0.35                     | 0.29   | 583.09  | 742.76  |
| - Undertaking given to a bank   | -                    | 150.00  | -          | -      | -                        | -      | -   | -       |
| - Surety given by International Tobacco Company Ltd. on behalf of the Company to U.P.Trade Tax Authority  | 349.24               | -       | -          | -      | -                        | -      | -   | -       |
| - Surety given by the Company on behalf of International Tobacco Company Ltd. to U.P. Trade Tax Authority | 15.66                | -       | -          | -      | -                        | -      | -   | -       |

\* comprising reimbursements to wholly owned subsidiary, International Tobacco Company Limited for payments made by them for and on behalf of the Company under the contract manufacturing arrangement, out of the funds made available by the Company.

# includes Rs.758.87 lacs (previous year Rs.523.32 lacs) from Beacon Travels Private Ltd.

## excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

**12. Segment reporting disclosures under Accounting Standard 17**

(A) Business segments:

Based on the guiding principles given in Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company's primary business segments are (a) Cigarette and tobacco products; and (b) Tea and other retail products.

(B) Geographical segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.

**SCHEDULE 16 – Notes to the accounts (contd.)**

Financial information about the primary business segments is presented in the table below:

Rupees in lacs

|   | Cigarette and tobacco products    | Tea and other retail products | Total     | Cigarette and tobacco products    | Tea and other retail products | Total     |
|---|-----------------------------------|-------------------------------|-----------|-----------------------------------|-------------------------------|-----------|
|   | For the year ended March 31, 2008 |                               |           | For the year ended March 31, 2007 |                               |           |
| 1. Segment revenue - External sales (gross)               | 175269.93                         | 7191.83                       | 182461.76 | 153906.13                         | 5770.66                       | 159676.79 |
| - Less : Excise duty                                      | 92168.56                          | -                             | 92168.56  | 83528.33                          | -                             | 83528.33  |
| - Net sales   | 83101.37                          | 7191.83                       | 90293.20  | 70377.80                          | 5770.66                       | 76148.46  |
| - Other income  | 1156.33                           | 48.86                         | 1205.19   | 851.92                            | 34.78                         | 886.70    |
| - Total   | 84257.70                          | 7240.69                       | 91498.39  | 71229.72                          | 5805.44                       | 77035.16  |
| - Unallocable income                                      |                                   |                               | 3966.62   |                                   |                               | 2473.15   |
| Total revenue   |                                   |                               | 95465.01  |                                   |                               | 79508.31  |
| 2. Segment result   | 14475.34                          | (898.87)                      | 13576.47  | 12135.61                          | (651.75)                      | 11483.86  |
| - Unallocable income net of unallocable expenses          |                                   |                               | 3758.04   |                                   |                               | 2325.67   |
| Profit before interest and taxation                       |                                   |                               | 17334.51  |                                   |                               | 13809.53  |
| - Interest expenses                                       |                                   |                               | (360.75)  |                                   |                               | (286.65)  |
| - Provision for taxation                                  |                                   |                               | (5751.35) |                                   |                               | (4712.46) |
| Profit after taxation                                     |                                   |                               | 11222.41  |                                   |                               | 8810.42   |
| 3. Other information                                      | As at March 31, 2008              |                               |           | As at March 31, 2007              |                               |           |
| a) Segment assets   | 44253.84                          | 1931.51                       | 46185.35  | 31706.09                          | 1701.25                       | 33407.34  |
| - Unallocable assets/investments                          |                                   |                               | 37593.87  |                                   |                               | 29356.07  |
| Total assets  |                                   |                               | 83779.22  |                                   |                               | 62763.41  |
| b) Segment liabilities                                    | 18246.85                          | 801.69                        | 19048.54  | 9927.36                           | 569.69                        | 10497.05  |
| - Share capital and reserves                              |                                   |                               | 49995.91  |                                   |                               | 41815.02  |
| - Unallocable liabilities                                 |                                   |                               | 14734.77  |                                   |                               | 10451.34  |
| Total liabilities   |                                   |                               | 83779.22  |                                   |                               | 62763.41  |
|   | For the year ended March 31, 2008 |                               |           | For the year ended March 31, 2007 |                               |           |
| c) Capital expenditure including capital work in progress | 4945.25                           | 23.01                         | 4968.26   | 1711.00                           | 163.12                        | 1874.12   |
| d) Depreciation   | 1919.96                           | 57.53                         | 1977.49   | 1828.25                           | 78.33                         | 1906.58   |
| e) Non cash expenditure other than depreciation           | 353.95                            | 42.50                         | 396.45    | 216.26                            | 52.55                         | 268.81    |

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 1 in Schedule 16, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Segment revenue and expenses only include items directly attributable to the segment. They do not include investment income, interest income from inter-corporate deposits and loans given, dividend income, profit or loss on sale of investments, provision for diminution in value of investments, interest expense (excluding those relating to segments) and bill discounting charges, donations and provision for taxation (current, deferred and fringe benefit tax). Since the corporate office of the Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments, inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits interest, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current, deferred and fringe benefit tax).



**SCHEDULE 16 – Notes to the accounts (contd.)**

|  | For the year<br>ended<br>31.3.2008                  | For the year<br>ended<br>31.3.2007 |
|--|---|------------------------------------|
| 13. Earnings per share has been computed as under:   |   |                                    |
| (a) Net profit as per profit and loss account (Rs.lacs)  | 11222.41  | 8810.42                            |
| (b) Weighted average number of equity shares outstanding   | 1,03,98,784   | 1,03,98,784                        |
| (c) Basic and diluted earnings per share -Rupees<br>(face value of share-Rs.10 each)   | 107.92  | 84.73                              |
| 14. Exceptional items comprise of :  |   | Rupees in lacs                     |
| Provision for luxury taxes on cigarettes reversed pursuant<br>to orders passed by the tax authorities based on the<br>Supreme Court judgement in January, 2005   | -   | 240.59                             |
| 15. In view of the Companies (Accounting Standards) Rules, 2006, exchange differences arising on repayment/restatement of term loan liabilities incurred for the purpose of acquiring fixed assets from outside India, hitherto adjusted in the carrying amount of the respective fixed assets, are now recognised as income/expense in the profit and loss account with effect from April 1, 2007. Accordingly, Rs.268.92 lacs has been recognised as income during the year. |   |                                    |
| 16. Employee Benefits  |   |                                    |
| The Company has during the year adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. In accordance with the revised accounting standard, the transitional benefit amounting to Rs 221.96 lacs has been adjusted in the profit and loss account during the year.  |   |                                    |
| The Company has classified the various benefits provided to employees as under -   |   |                                    |
| <b>I. Defined contribution plans and amounts recognized in profit &amp; loss account</b>   | Rupees in lacs                                      | Rupees in lacs                     |
| - Employers' contribution to provident fund and employee's pension scheme  | 415.15  |                                    |
| - Employers' contribution to superannuation fund   | 239.56  |                                    |
| - Employers' contribution to employee's state insurance  | 2.14  |                                    |
|  |   | Rupees in lacs                     |
| <b>B) Changes in the present value of obligation</b>   |   |                                    |
| • Present value of obligation as at April 1, 2007  |   | 1989.18                            |
| • Interest cost  |   | 147.94                             |
| • Current service cost   |   | 101.41                             |
| • Benefits paid  |   | (177.38)                           |
| • Actuarial (gain)/loss on obligations   |   | 549.48                             |
| • Present value of obligation as at March 31, 2008   |   | 2610.63                            |
| <b>II. Other long term employee benefits (based on actuarial valuation)</b>  |   |                                    |
| • Compensated absences – amount recognized in profit and loss account – Rs. 509.90 lacs.   |   |                                    |
| <b>III. Defined benefit plans (based on actuarial valuation)</b>   |   |                                    |
| • Gratuity   |   |                                    |
| In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same is given below:  |   |                                    |
| <b>A) Principal Assumptions</b>  | Gratuity (Funded)                                   |                                    |
| • Discount rate (per annum)  | 7.65%   |                                    |
| • Rate of increase in compensation levels  |   |                                    |
| – Management:  | 9.0% p.a. for first 5 years & 7.00% p.a. thereafter |                                    |
| – Non Management:  | 6% p.a.   |                                    |
| • Expected rate of return on plan assets   | 7.50%   |                                    |
| • Expected average remaining working lives of employees  | 10.80 years   |                                    |
| • Retirement age   | 58 years  |                                    |
| <b>C) Change in the fair value of plan assets</b>  |   |                                    |
| • Fair value of plan assets as at March 31, 2007   |   | 2056.34                            |
| • Expected return on plan assets   |   | 126.12                             |
| • Actuarial gain/ (loss) on plan assets  |   | (20.89)                            |
| • Contributions received   |   | 68.60                              |
| • Benefits paid  |   | (177.38)                           |
| • Fair value of plan assets as at March 31, 2008   |   | 2052.79                            |
| <b>D) Net liability recognized in the balance sheet as at March 31, 2008 (B-C)</b>   |   | 557.84                             |
| <b>E) Constitution of plan assets</b>  |   |                                    |
| • Government Securities  |   | 953.86                             |
| • Public Sector Bonds  |   | 859.36                             |
| • Special Deposit Schemes  |   | 151.30                             |
| • Units of Mutual Funds  |   | -                                  |
| • Others   |   | 88.27                              |
| • Total  |   | 2052.79                            |
| <b>F) Expenses recognized in the profit and loss account</b>   |   |                                    |
| • Transitional (benefit) /cost   |   | (67.15)                            |
| • Current service cost   |   | 101.41                             |
| • Interest cost  |   | 147.94                             |
| • Expected return on plan assets   |   | (126.12)                           |
| • Net actuarial (gain)/ loss   |   | 570.37                             |
| • Total  |   | 626.45                             |

**SCHEDULE 16 – Notes to the accounts (contd.)**

**17. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.**

|  |               |        | For the year<br>ended<br>31.3.2008 |        | For the year<br>ended<br>31.3.2007 |
|--|---------------|--------|------------------------------------|--------|------------------------------------|
|  | Unit          | Qty.   | Rs. in lacs                        | Qty.   | Rs. in lacs                        |
| <b>I. Class of Goods, Capacity and Production</b>  |               |        |                                    |        |                                    |
| Class of goods manufactured  |               |        |                                    |        |                                    |
| <b>Cigarettes</b>  |               |        |                                    |        |                                    |
| Capacity (per annum)   |               |        |                                    |        |                                    |
| - Licensed   | Million       | 18750* |                                    | 18750* |                                    |
| - Installed (on a single shift basis)  | Million       | 3682   |                                    | 3389   |                                    |
| Production   | Million       | 5364   |                                    | 5261   |                                    |
| Cigarettes manufactured by the subsidiary company on behalf of the Company   | Million       | 9121   |                                    | 8148   |                                    |
| *Including 25% admissible production over licensed capacity  |               |        |                                    |        |                                    |
| Installed capacity has been certified by a director but has not been verified by the auditors as this is a technical matter. |               |        |                                    |        |                                    |
| <b>II. Turnover and stocks</b>   |               |        |                                    |        |                                    |
| a) Particulars of sales (gross)**  |               |        |                                    |        |                                    |
| - Cigarettes   | Million       | 14376  | 165882.65                          | 13525  | 147160.00                          |
| - Unmanufactured tobacco   | Tonne         | 7720   | 6882.65                            | 4444   | 3859.71                            |
| - Cigars   | '000 Pcs      | 3845   | 442.32                             | 1806   | 330.66                             |
| - Other goods  |               |        | 9254.14                            |        | 8326.42                            |
| b) Details of stock-in-trade   |               |        |                                    |        |                                    |
| i) Opening stocks  |               |        |                                    |        |                                    |
| - Cigarettes   | Million       | 427    | 3214.84                            | 570    | 4546.15                            |
| - Cigars   | '000 Pcs      | 1893   | 174.86                             | 987    | 119.37                             |
| - Real estate  |               |        | 405.69                             |        | 405.69                             |
| - Other goods  |               |        | 729.73                             |        | 602.27                             |
| ii) Closing stocks   |               |        |                                    |        |                                    |
| - Cigarettes   | Million       | 512    | 5342.31                            | 427    | 3214.84                            |
| - Cigars   | '000 Pcs      | 8485   | 338.10                             | 1893   | 174.86                             |
| - Real estate  |               |        | 405.69                             |        | 405.69                             |
| - Other goods  |               |        | 925.33                             |        | 729.73                             |
| ** Includes sales to a subsidiary Rs. Nil (previous year Rs.0.08 lac) and excludes samples, write-offs, etc.                 |               |        |                                    |        |                                    |
| <b>III. Raw and packing materials consumed</b>   |               |        |                                    |        |                                    |
| Unmanufactured tobacco   | Tonne         | 15373  | 10208.90                           | 14530  | 9214.42                            |
| Cigarette paper  | Bobbin        | 142336 | 624.28                             | 139604 | 617.49                             |
| Cardboard (shells, slides and others)  | Tonne         | 4887   | 4718.70                            | 4739   | 3945.48                            |
| Filter rods  | Million       | 1806   | 1978.62                            | 1492   | 1582.36                            |
| Aluminium foil/Metallised paper  | Million Meter | 198    | 1082.01                            | 185    | 993.39                             |
| Cellulose paper  | Tonne         | 350    | 594.61                             | 326    | 566.18                             |
| Miscellaneous  |               |        | 2432.44                            |        | 2077.74                            |
|  |               |        | <u>21639.56</u>                    |        | <u>18997.06</u>                    |

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## SCHEDULE 16 – Notes to the accounts (contd.)

|  |          |                           | For the year<br>ended<br>31.3.2008 |                           | For the year<br>ended<br>31.3.2007 |
|--|----------|---------------------------|------------------------------------|---------------------------|------------------------------------|
|  | Unit     | Qty.                      | Rs. in lacs                        | Qty.                      | Rs. in lacs                        |
| <b>IV. Purchases for resale</b>  |          |                           |                                    |                           |                                    |
| Unmanufactured tobacco   | Tonne    | 7720                      | 6251.07                            | 4444                      | 3403.59                            |
| Cigars   | '000 Pcs | 10537                     | 406.89                             | 2803                      | 241.84                             |
| Other goods-Tea, etc. (including packing materials and processing charges)           |          |                           | <u>5352.31</u>                     |                           | <u>4183.60</u>                     |
|  |          |                           | <u>12010.27</u>                    |                           | <u>7829.03</u>                     |
| <b>V. Value of imported and indigenous raw and packing materials and spare parts</b> |          |                           |                                    |                           |                                    |
|  |          | % of total<br>consumption | Rs. in lacs                        | % of total<br>consumption | Rs. in lacs                        |
| (A) Raw and packing materials  |          |                           |                                    |                           |                                    |
| i) Imported  |          | 8.10                      | 1753.59                            | 7.70                      | 1463.27                            |
| ii) Indigenous   |          | <u>91.90</u>              | <u>19885.97</u>                    | <u>92.30</u>              | <u>17533.79</u>                    |
|  |          | <u>100.00</u>             | <u>21639.56</u>                    | <u>100.00</u>             | <u>18997.06</u>                    |
| (B) Spare parts  |          |                           |                                    |                           |                                    |
| i) Imported  |          | 30.84                     | 68.74                              | 28.84                     | 56.69                              |
| ii) Indigenous   |          | <u>69.16</u>              | <u>154.18</u>                      | <u>71.16</u>              | <u>139.85</u>                      |
|  |          | <u>100.00</u>             | <u>222.92</u>                      | <u>100.00</u>             | <u>196.54</u>                      |
| <b>VI. Earnings in foreign exchange</b>  |          |                           |                                    |                           |                                    |
| a) Export of goods on F.O.B. basis   |          |                           | 11535.16                           |                           | 7755.84                            |
| b) Others including freight, etc.  |          |                           | <u>253.41</u>                      |                           | <u>306.66</u>                      |
|  |          |                           | <u>11788.57</u>                    |                           | <u>8062.50</u>                     |
| <b>VII. Value of imports on C.I.F. basis (including those in transit)</b>            |          |                           |                                    |                           |                                    |
| i) Raw materials   |          |                           | 1501.81                            |                           | 1405.79                            |
| ii) Components and spare parts   |          |                           | 87.79                              |                           | 70.25                              |
| iii) Capital goods   |          |                           | 3124.47                            |                           | 274.02                             |
| iv) Purchases for resale - cigars, etc.  |          |                           | <u>221.68</u>                      |                           | <u>141.96</u>                      |
|  |          |                           | <u>4935.75</u>                     |                           | <u>1892.02</u>                     |
| <b>VIII. Expenditure in foreign currencies</b>                                       |          |                           |                                    |                           |                                    |
| Fees for technical services (net of tax)   |          |                           | 695.36                             |                           | 600.18                             |
| Professional /consultancy fees (net of tax)  |          |                           | 126.88                             |                           | 232.15                             |
| Interest (net of tax)  |          |                           | 324.51                             |                           | 245.78                             |
| Others   |          |                           | <u>597.99</u>                      |                           | <u>497.10</u>                      |
|  |          |                           | <u>1744.74</u>                     |                           | <u>1575.21</u>                     |
| <b>IX. Dividend remittance to non-resident shareholders in foreign currency</b>      |          |                           |                                    |                           |                                    |
| Amount of dividend   |          |                           | 934.18                             |                           | 840.76                             |
| Number of non-resident shareholders to whom remittance made                          |          |                           | 1                                  |                           | 1                                  |
| Number of shares on which remittance made  |          |                           | 37,36,704                          |                           | 37,36,704                          |
| Year for which dividend remitted (year ended)  |          |                           | 31.3.2007                          |                           | 31.3.2006                          |

**SCHEDULE 16 – Notes to the accounts (contd.)**

**18 (a). Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:**

| Particulars  | As at 31.3.2008                   |                          | As at 31.3.2007                   |                           |
|--|-----------------------------------|--------------------------|-----------------------------------|---------------------------|
|  | Amount in foreign currency (Lacs) | Amount in Rs. Lacs       | Amount in foreign currency (Lacs) | Amount in Rs. Lacs        |
| Loan Funds   | 160.11 USD                        | 6422.18                  | 75.00 USD                         | 3270.00                   |
| Sundry debtors   | 55.16 USD<br>0.49 EURO            | 2202.55<br>31.14         | 29.95 USD<br>0.66 EURO            | 1287.55<br>37.74          |
| Current liabilities and provisions   | 9.95 USD<br>1.01 EURO<br>0.72 GBP | 399.09<br>64.10<br>57.69 | 3.64 USD<br>1.88 EURO<br>0.24 GBP | 158.70<br>109.68<br>20.61 |
| (b). Derivative instrument outstanding as at year end:   |                                   |                          |                                   |                           |
| (i) Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon | 13500 .00 JPY                     | 4416.68                  | -                                 | -                         |
| (ii) Forward exchange contracts to hedge future export proceeds  | 146.90 USD                        | 5805.49                  | -                                 | -                         |

19. Excise duty related to sales has been shown as deduction from gross sales and that related to the difference between the closing stock and opening stock has been disclosed as "Increase/(decrease) in excise duty on finished goods", on the face of the profit and loss account.

20. The figures for the previous year have been re-cast, wherever necessary to conform to the current year's classification.

S. SERU  
Chief Executive (Domestic)

R.N. AGARWAL  
Executive Vice President (Finance)

R. JOSHI  
Sr. Vice President & Company Secretary

New Delhi : 28<sup>th</sup> June, 2008

For and on behalf of the Board of Directors

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956. Balance Sheet Abstract and Company's General Business Profile:

### I. Registration Details

|                     |           |
|---------------------|-----------|
| Registration Number | 8587      |
| State Code          | 11        |
| Balance Sheet Date  | 31.3.2008 |

### II. Capital Raised during the year

(Amount in Rs. Thousands)

|                   |     |
|-------------------|-----|
| Public Issue      | Nil |
| Rights Issue      | Nil |
| Bonus Issue       | Nil |
| Private Placement | Nil |

### III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

|                   |         |
|-------------------|---------|
| Total Liabilities | 8377922 |
| Total Assets      | 8377922 |

#### Source of Funds:

|                      |         |
|----------------------|---------|
| Paid-up Capital      | 103988  |
| Reserves and Surplus | 4895603 |
| Secured Loans        | 1033808 |
| Unsecured Loans      | Nil     |

#### Applications of Funds:

|                    |         |
|--------------------|---------|
| Net Fixed Assets   | 1533706 |
| Investments        | 3295748 |
| Net Current Assets | 1203945 |
| Misc. Expenditure  | Nil     |
| Accumulated Losses | Nil     |

### IV. Performance of the Company

(Amount in Rs. Thousands)

|                          |          |
|--------------------------|----------|
| Turnover                 | 18763357 |
| Total Expenditure        | 17065981 |
| Profit/(Loss) Before Tax | 1697376  |
| Profit/(Loss) After Tax  | 1122241  |
| Earning Per Share (Rs.)  | 107.92   |
| Dividend Rate (%)        | 250      |

### V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

|                          |                               |
|--------------------------|-------------------------------|
| Item Code No.(ITC Code)  | 2402.20                       |
| Product Description      | Cigarettes containing tobacco |
| Item Code No. (ITC Code) | 2401.20                       |
| Product Description      | Unmanufactured tobacco        |
| Item Code No. (ITC Code) | 902.30                        |
| Product Description      | Tea black in packets          |

For and on behalf of the Board of Directors

S. SERU  
Chief Executive (Domestic)

R.N. AGARWAL  
Executive Vice President (Finance)

R. JOSHI  
Sr. Vice President & Company Secretary

New Delhi : 28<sup>th</sup> June, 2008

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors



## Statement pursuant to Section 212 of the Companies Act, 1956

### A. Holding Company's interest in the subsidiaries at the close of the respective financial years.

| Name of the Subsidiary                                | Financial Year ended | Extent of interest  |
|---|----------------------|---|
| 1. International Tobacco Company Limited              | 31.3.2008            | The entire issued share capital of 100000 Equity Shares of Rs. 100 each fully paid.   |
| 2. Chase Investments Limited                          | 31.3.2008            | The entire issued share capital of 198500 Equity Shares of Rs. 100 each of which 40010 are fully paid up and 158490 are Rs.50 paid up.      |
| 3. City Leasing and Finance Company Limited           | 31.3.2008            | The entire issued share capital of 1950000 Equity Shares of Rs. 10 each of which 400020 are fully paid up and 1549980 are Rs. 5.50 paid up. |
| 4. Manhattan Credits and Finance Limited              | 31.3.2008            | The entire issued share capital of 1950000 Equity Shares of Rs. 10 each fully paid.   |
| 5. Kashyap Metal and Allied Industries Limited        | 31.3.2008            | Nil (It is a subsidiary under Section 4(3) (b)(ii) of the Companies Act, 1956.)   |
| 6. Unique Space Developers Limited                    | 31.3.2008            | Nil (It is a subsidiary under Section 4(3) (b)(ii) of the Companies Act, 1956.)   |
| 7. Gopal Krishna Infrastructure & Real Estate Limited | 31.3.2008            | Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)   |
| 8. Rajputana Infrastructure Corporate Limited         | 31.3.2008            | Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)   |

### B. Net aggregate amount of profits/(losses) of the subsidiaries not dealt with in the Holding Company's accounts.

| Name of the Subsidiary                                | For Financial Year ended 31.3.2008<br>Rs. in lacs | For Previous Financial Years<br>Rs. in lacs |
|---|---|---|
| 1. International Tobacco Company Limited              | 64.42   | 763.39                                      |
| 2. Chase Investments Limited                          | 70.40   | 186.71                                      |
| 3. City Leasing and Finance Company Limited           | 16.91   | 103.52                                      |
| 4. Manhattan Credits and Finance Limited              | 17.44   | 28.64                                       |
| 5. Kashyap Metal and Allied Industries Limited        | Not Applicable                                    | Not Applicable                              |
| 6. Unique Space Developers Limited                    | Not Applicable                                    | Not Applicable                              |
| 7. Gopal Krishna Infrastructure & Real Estate Limited | Not Applicable                                    | Not Applicable                              |
| 8. Rajputana Infrastructure Corporate Limited         | Not Applicable                                    | Not Applicable                              |

### C. Net aggregate amount of profits/(losses) of the subsidiaries dealt with in the Holding Company's accounts, being the dividend received.

| Name of the Subsidiary                                | For Financial Year ended 31.3.2008<br>Rs. in lacs | For Previous Financial Years<br>Rs. in lacs |
|---|---|---|
| 1. International Tobacco Company Limited              | Nil   | Nil   |
| 2. Chase Investments Limited                          | Nil   | 8.16  |
| 3. City Leasing and Finance Company Limited           | Nil   | 8.29  |
| 4. Manhattan Credits and Finance Limited              | Nil   | 7.20  |
| 5. Kashyap Metal and Allied Industries Limited        | Not Applicable                                    | Not Applicable                              |
| 6. Unique Space Developers Limited                    | Not Applicable                                    | Not Applicable                              |
| 7. Gopal Krishna Infrastructure & Real Estate Limited | Not Applicable                                    | Not Applicable                              |
| 8. Rajputana Infrastructure Corporate Limited         | Not Applicable                                    | Not Applicable                              |

For and on behalf of the Board of Directors

S. SERU  
Chief Executive (Domestic)

R.N. AGARWAL  
Executive Vice President (Finance)

R. JOSHI  
Sr. Vice President & Company Secretary

New Delhi : 28<sup>th</sup> June, 2008

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LALIT BHASIN  
O.P. VAISH  
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Directors

## CONSOLIDATED FINANCIAL STATEMENTS

### REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF GODFREY PHILLIPS INDIA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GODFREY PHILLIPS INDIA LIMITED, ITS SUBSIDIARIES AND AN ASSOCIATE.

We have examined the attached consolidated balance sheet of Godfrey Phillips India Limited, its subsidiaries and an associate (the Group), as at March 31, 2008 and also the consolidated profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Godfrey Phillips India Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of subsidiaries viz., Chase Investments Limited, City Leasing and Finance Company Limited, Manhattan Credits and Finance Limited, Kashyap Metal and Allied Industries Limited (including its subsidiary Rajputana Infrastructure Corporate Limited) and Unique Space Developers Limited (including its subsidiary Gopal Krishna Infrastructure & Real Estate Limited) whose financial statements reflect total assets of Rs.3770 lacs as at March 31, 2008 and total revenues of Rs.1437.16 lacs for the year ended on that date (these figures include intra group balances and intra group transactions eliminated on consolidation) and an associate viz. Success Principles India Limited whose financial statements reflect the Group's share of profit upto March 31, 2008 of Rs.35.58 lacs and the Group's share of profit of Rs. 2.81 lacs for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries and an associate is based solely on the report of the other auditors.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in Associates in Consolidated

Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Godfrey Phillips India Limited, its subsidiaries and an associate included in the consolidated financial statements.

4. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Godfrey Phillips India Limited, its subsidiaries, and an associate, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet of the consolidated state of affairs of Godfrey Phillips India Limited, its subsidiaries and an associate as at March 31, 2008;
  - (b) in the case of the consolidated profit and loss account of the consolidated results of operations of Godfrey Phillips India Limited, its subsidiaries and an associate for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of Godfrey Phillips India Limited, its subsidiaries and an associate for the year ended on that date.

**For A.F. FERGUSON & CO.**  
Chartered Accountants

Place: New Delhi  
Date : 28<sup>th</sup> June, 2008

Manjula Banerji  
Partner  
Membership No. 086423

# GODFREY PHILLIPS INDIA LIMITED

## Consolidated balance sheet as at March 31, 2008

Rupees in lacs

|   | Schedule Number | As at 31.3.2008 | As at 31.3.2007 |
|---|-----------------|-----------------|-----------------|
| <b>SOURCES OF FUNDS</b>   |                 |                 |                 |
| <b>Shareholders' funds</b>  |                 |                 |                 |
| Share capital   | 1               | 1039.88         | 1039.88         |
| Reserves and surplus  | 2               | <u>50814.07</u> | <u>41421.13</u> |
|   |                 | 51853.95        | 42461.01        |
| <b>Minority interests</b>   |                 | 316.19          | 4.08            |
| <b>Loan funds</b>   |                 |                 |                 |
| Secured   | 3               | 10338.08        | 6073.35         |
| <b>Deferred tax liabilities (net)</b>                                   | 12              | <u>258.82</u>   | <u>446.74</u>   |
| <b>TOTAL</b>  |                 | <u>62767.04</u> | <u>48985.18</u> |
| <b>APPLICATION OF FUNDS</b>   |                 |                 |                 |
| <b>Fixed assets</b>   |                 |                 |                 |
| Gross block   | 4               | 31721.89        | 29739.31        |
| Less: Depreciation  |                 | <u>15185.58</u> | <u>13429.94</u> |
| Net block   |                 | 16536.31        | 16309.37        |
| Capital work-in-progress and advances on capital account                |                 | <u>2225.68</u>  | <u>845.42</u>   |
|   |                 | 18761.99        | 17154.79        |
| <b>Investments</b>  | 5               | 33596.42        | 24579.21        |
| <b>Current assets, loans and advances</b>                               |                 |                 |                 |
| Income accrued on investments   |                 | 11.90           | 12.72           |
| Inventories   | 6               | 24142.66        | 15423.64        |
| Sundry debtors  | 7               | 2306.20         | 1569.61         |
| Cash and bank balances  | 8               | 950.83          | 1532.31         |
| Loans and advances  | 9               | <u>7446.15</u>  | <u>4089.72</u>  |
|   |                 | 34857.74        | 22628.00        |
| Less:   |                 |                 |                 |
| <b>Current liabilities and provisions</b>                               |                 |                 |                 |
| Current liabilities   | 10              | 17612.40        | 9746.77         |
| Provisions  | 11              | <u>6839.66</u>  | <u>5633.38</u>  |
|   |                 | 24452.06        | 15380.15        |
| <b>Net current assets</b>   |                 | 10405.68        | 7247.85         |
| <b>Miscellaneous expenses to the extent not written off or adjusted</b> |                 | <u>2.95</u>     | <u>3.33</u>     |
| <b>TOTAL</b>  |                 | <u>62767.04</u> | <u>48985.18</u> |
| Notes to the consolidated accounts                                      | 16              |                 |                 |

For and on behalf of the Board of Directors

Per our report attached  
For A.F. FERGUSON & CO.,  
Chartered Accountants

Manjula Banerji  
Partner  
(Membership No. 086423)

New Delhi : 28<sup>th</sup> June, 2008

S. SERU  
Chief Executive (Domestic)

R.N. AGARWAL  
Executive Vice President (Finance)

R. JOSHI  
Sr. Vice President & Company Secretary

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## Consolidated profit and loss account for the year ended March 31, 2008

Rupees in lacs

|  | Schedule<br>Number | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|--------------------|------------------------------------|------------------------------------|
| <b>INCOME</b>  |                    |                                    |                                    |
| Gross sales  |                    | 182461.76                          | 159676.71                          |
| Less: Excise duty  |                    | 92168.56                           | 83528.33                           |
| Net sales  |                    | 90293.20                           | 76148.38                           |
| Other income   | 13                 | 6570.29                            | 3166.61                            |
|  |                    | 96863.49                           | 79314.99                           |
| <b>EXPENSES</b>  |                    |                                    |                                    |
| Raw and packing materials, manufactured and other goods                              | 14                 | 31102.77                           | 27950.52                           |
| Manufacturing and other expenses   | 15                 | 42944.54                           | 36840.51                           |
| Depreciation   | 4                  | 2246.56                            | 2162.78                            |
| Increase/(decrease) in excise duty on finished goods                                 |                    | 1871.53                            | (1105.51)                          |
|  |                    | 78165.40                           | 65848.30                           |
| Profit before taxation and exceptional items   |                    | 18698.09                           | 13466.68                           |
| Exceptional items - Refer note 13  |                    | -                                  | 240.59                             |
| Profit before taxation   |                    | 18698.09                           | 13707.27                           |
| Provision for taxation - current tax   |                    | 5367.18                            | 4132.50                            |
| - deferred tax credit  |                    | (187.92)                           | (20.72)                            |
| - fringe benefit tax   |                    | 775.07                             | 701.65                             |
| Profit after taxation before share of results of an associate and minority interests |                    | 12743.76                           | 8893.84                            |
| Share of net profit of an associate  |                    | 2.81                               | 2.12                               |
| Profit after taxation before minority interests                                      |                    | 12746.57                           | 8895.96                            |
| Minority interests   |                    | 312.11                             | (1.09)                             |
| Net profit   |                    | 12434.46                           | 8897.05                            |
| Balance brought forward from previous year   |                    | 27922.95                           | 23567.42                           |
| Available for appropriation  |                    | 40357.41                           | 32464.47                           |
| <b>APPROPRIATIONS</b>  |                    |                                    |                                    |
| Proposed dividend  |                    | 2599.70                            | 2599.70                            |
| Corporate dividend tax   |                    | 441.82                             | 441.82                             |
| Transferred to general reserve   |                    | 1500.00                            | 1500.00                            |
| Surplus carried to consolidated balance sheet  |                    | 35815.89                           | 27922.95                           |
|  |                    | 40357.41                           | 32464.47                           |
| Basic and diluted earnings per share<br>(Face value of share - Rs.10 each)           |                    | Rs.119.58                          | Rs.85.56                           |

Notes to the consolidated accounts

16

For and on behalf of the Board of Directors

Per our report attached  
to the consolidated balance sheet  
For A.F. FERGUSON & CO.,  
Chartered Accountants

Manjula Banerji  
Partner  
(Membership No. 086423)

New Delhi : 28<sup>th</sup> June, 2008

S. SERU  
Chief Executive (Domestic)  
  
R.N. AGARWAL  
Executive Vice President (Finance)  
  
R. JOSHI  
Sr. Vice President & Company Secretary

R.A. SHAH  
Chairman  
  
K.K. MODI  
President  
  
C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

# GODFREY PHILLIPS INDIA LIMITED

## Consolidated cash flow statement for the year ended March 31, 2008

Rupees in lacs

|  | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|------------------------------------|------------------------------------|
| <b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                                    |                                    |
| Net profit before tax  | 18698.09                           | 13707.27                           |
| Adjustments for:   |                                    |                                    |
| Depreciation   | 2246.56                            | 2162.78                            |
| Interest income from debts, deposits, loans, etc.                          | (180.87)                           | (133.98)                           |
| Dividends from other long term investments                                 | (100.06)                           | (38.61)                            |
| Interest income from other long term investments                           | (25.91)                            | (25.91)                            |
| Profit on redemption/sale of other long term investments                   | (2946.98)                          | (1913.26)                          |
| Profit on sale of current investments                                      | (552.00)                           | (344.40)                           |
| Exchange gain  | -                                  | (0.29)                             |
| Exchange gain on foreign currency borrowings                               | (346.31)                           | (11.11)                            |
| Provision for wealth-tax   | 18.00                              | 17.00                              |
| Interest expense - fixed loans   | 344.45                             | 272.77                             |
| - others   | 23.09                              | 19.67                              |
| Fixed assets written off/written down                                      | 30.74                              | 81.75                              |
| Profit / Loss on sale of fixed assets                                      | (1421.58)                          | 51.72                              |
| Provision for diminution in the value of investments (written back) / made | (2.83)                             | 0.34                               |
|  | (2913.70)                          | 138.47                             |
| <b>Operating profit before working capital changes</b>                     | <b>15784.39</b>                    | <b>13845.74</b>                    |
| Adjustments for:   |                                    |                                    |
| Trade and other receivables  | (4208.77)                          | 491.68                             |
| Inventories  | (8719.02)                          | (146.21)                           |
| Trade and other payables   | 8862.21                            | (440.36)                           |
|  | (4065.58)                          | (94.89)                            |
| <b>Cash generated from operations</b>                                      | <b>11718.81</b>                    | <b>13750.85</b>                    |
| Interest received  | 86.94                              | 52.12                              |
| Dividends received   | 6.84                               | 7.60                               |
| Purchase of investments*   | (863.18)                           | (160.02)                           |
| Proceeds from sale of investments*   | 416.28                             | 247.64                             |
| Direct taxes paid  | (6112.96)                          | (4784.22)                          |
|  | (6466.08)                          | (4636.88)                          |
| <b>Net cash from operating activities</b>                                  | <b>5252.73</b>                     | <b>9113.97</b>                     |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                                    |                                    |
| Purchase of fixed assets   | (5680.95)                          | (2881.36)                          |
| Proceeds from sale of fixed assets   | 3218.03                            | 208.34                             |
| Purchase of investments  | (132239.42)                        | (108818.01)                        |
| Proceeds from sale of investments  | 127173.73                          | 107522.26                          |
| Dividends from long term other investments                                 | 94.04                              | (1295.75)                          |
| Interest received from other long term investments                         | 25.91                              | 33.46                              |
| Deposits made  | (100.00)                           | 25.91                              |
| Loans/Deposits received back   | 320.00                             | (350.00)                           |
| Interest received  | 93.93                              | 200.00                             |
|  |                                    | 81.16                              |
| <b>Net cash used in investing activities</b>                               | <b>(7094.73)</b>                   | <b>(3978.24)</b>                   |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |                                    |                                    |
| Term loan availed  | 4,510.28                           | -                                  |
| Repayment of long term borrowings  | (1011.79)                          | (1167.20)                          |
| Proceeds from/ (repayment of) working capital borrowings                   | 1112.55                            | (157.84)                           |
| Interest paid  | (316.39)                           | (302.02)                           |
| Dividend paid  | (2592.31)                          | (2333.66)                          |
| Corporate dividend tax paid  | (441.82)                           | (328.15)                           |
| <b>Net cash used in financing activities</b>                               | <b>1260.52</b>                     | <b>(4288.87)</b>                   |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>              | <b>(581.48)</b>                    | <b>846.86</b>                      |
| Opening cash and cash equivalents  |                                    |                                    |
| -Cash and bank balances  | 1532.31                            | 685.16                             |
| Closing cash and cash equivalents  |                                    |                                    |
| - Cash and bank balances   | 950.83                             | 1532.31                            |
| - Effect of exchange rate changes on foreign currency bank balance         | -                                  | (0.29)                             |
|  | 950.83                             | 1532.02                            |

\*By the subsidiary companies engaged in the business of investments

For and on behalf of the Board of Directors

Per our report attached  
to the consolidated balance sheet  
For A.F. FERGUSON & CO.,  
Chartered Accountants

Manjula Banerji  
Partner  
(Membership No. 086423)

New Delhi : 28<sup>th</sup> June, 2008

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Directors



# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## Schedules 1 to 16 annexed to and forming part of the consolidated accounts for the year ended March 31, 2008

Rupees in lacs

|  | As at<br>31.3.2008 | As at<br>31.3.2007 |
|--|--------------------|--------------------|
| <b>SCHEDULE 1 - Share capital</b>  |                    |                    |
| <b>AUTHORISED</b>  |                    |                    |
| 60,000 Preference shares of Rs. 100 each   | 60.00              | 60.00              |
| 2,44,00,000 Equity shares of Rs. 10 each   | 2440.00            | 2440.00            |
|  | <u>2500.00</u>     | <u>2500.00</u>     |
| <b>ISSUED, SUBSCRIBED AND PAID UP</b>  |                    |                    |
| 1,03,98,784 Equity shares of Rs.10<br>each fully paid up   | <u>1039.88</u>     | <u>1039.88</u>     |
| Of the above equity shares   |                    |                    |
| (i) 86,82,578 shares were allotted as fully paid up as bonus shares by capitalisation of general reserves Rs.311.57 lacs, share premium account Rs. 36.75 lacs and profits Rs.519.94 lacs. |                    |                    |
| (ii) 83,490 shares were allotted as fully paid up to the shareholders of D. Macropolo & Company Limited on amalgamation.   |                    |                    |
| <b>SCHEDULE 2-Reserves and surplus</b>   |                    |                    |
| <b>REVALUATION RESERVE</b>   |                    |                    |
| At commencement of the year  | 236.16             | 236.16             |
| <b>CAPITAL REDEMPTION RESERVE</b>  |                    |                    |
| At commencement of the year  | 30.13              | 30.13              |
| <b>GENERAL RESERVE</b>   |                    |                    |
| At commencement of the year  | 13231.89           | 11731.89           |
| Add: Amount transferred from<br>profit and loss account  | <u>1500.00</u>     | <u>1500.00</u>     |
|  | 14731.89           | 13231.89           |
| <b>PROFIT AND LOSS ACCOUNT</b>   |                    |                    |
|  | <u>35815.89</u>    | <u>27922.95</u>    |
|  | <u>50814.07</u>    | <u>41421.13</u>    |

Rupees in lacs

|   | As at<br>31.3.2008 | As at<br>31.3.2007 |
|---|--------------------|--------------------|
| <b>SCHEDULE 3 - Loan funds</b>  |                    |                    |
| <b>SECURED</b>  |                    |                    |
| From banks:   |                    |                    |
| - Term loans secured by way of an exclusive charge over specific plant and machinery (payable within 12 months Rs.1002.75 lacs; previous year Rs.1090.00 lacs)      | <b>6422.18</b>     | 3270.00            |
| - Cash credit and working capital demand loan secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the group | <b>3915.90</b>     | 2803.35            |
|   | <b>10338.08</b>    | 6073.35            |

| SCHEDULE 4 - Fixed assets  |                       |           |            |                    |                    |                 |                  |                  |                    |                    |                    |
|--|-----------------------|-----------|------------|--------------------|--------------------|-----------------|------------------|------------------|--------------------|--------------------|--------------------|
| Rupees in lacs   |                       |           |            |                    |                    |                 |                  |                  |                    |                    |                    |
|  | GROSS BLOCK (AT COST) |           |            |                    | DEPRECIATION       |                 |                  |                  | NET BLOCK          |                    |                    |
|  | As at<br>31.3.2007    | Additions | Deductions | As at<br>31.3.2008 | As at<br>31.3.2007 | For the<br>year | On<br>deductions | Write<br>down*** | As at<br>31.3.2008 | As at<br>31.3.2008 | As at<br>31.3.2007 |
| Goodwill   | 166.69*               | -         | -          | 166.69*            | -                  | -               | -                | -                | -                  | 166.69             | 166.69             |
| Patents and trade marks  | 0.51                  | -         | -          | 0.51               | -                  | -               | -                | -                | -                  | 0.51               | 0.51               |
| Land (leasehold)   | 809.14#               | -         | -          | 809.14#            | -                  | -               | -                | -                | -                  | 809.14             | 809.14             |
| Land (freehold)  | 709.87                | -         | 391.06     | 318.81             | -                  | -               | -                | -                | -                  | 318.81             | 709.87             |
| Buildings  | 3446.93**             | 83.44     | 956.39     | 2573.98**          | 483.22             | 68.11           | 34.95            | -                | 516.38             | 2057.60            | 2963.71            |
| Plant and machinery  | 20043.61              | 3054.21   | 547.11     | 22550.71           | 11260.60           | 1740.83         | 283.94           | -                | 12717.49           | 9833.22            | 8783.01            |
| Electrical installation and equipments   | 487.81                | 233.59    | 15.23      | 706.17             | 80.47              | 25.33           | 4.98             | -                | 100.82             | 605.35             | 407.34             |
| Computers and information technology equipments  | 951.94                | 187.00    | 70.54      | 1068.40            | 508.04             | 143.74          | 44.98            | -                | 606.80             | 461.60             | 443.90             |
| Furniture, fixtures and office equipments  | 1452.61               | 348.61    | 83.88      | 1717.34            | 604.84             | 101.56          | 36.37            | -                | 670.03             | 1047.31            | 847.77             |
| Motor vehicles   | 1670.20               | 393.84    | 253.90     | 1810.14            | 492.77             | 166.99          | 85.70            | -                | 574.06             | 1236.08            | 1177.43            |
| Total  | 29739.31              | 4300.69   | 2318.11    | 31721.89           | 13429.94           | 2246.56         | 490.92           | -                | 15185.58           | 16536.31           |                    |
| Previous year  | 28162.47              | 2290.06   | 713.22     | 29739.31           | 11645.1            | 2162.78         | 403.66           | 25.70            | 13429.94           |                    | 16309.37           |
| Capital work-in-progress and advances on capital account (net of write down of Rs. Nil; previous year Rs. 6.55 lacs) |                       |           |            |                    |                    |                 |                  |                  | 2225.68            | 845.42             |                    |
|  |                       |           |            |                    |                    |                 |                  |                  | 18761.99           | 17154.79           |                    |

\* Includes Rs. 165.49 lacs on consolidation

\*\* Includes Rs. 0.02 lac (previous year Rs.0.02 lac) being the cost of shares in co-operative societies and Rs.126.90 lacs (previous year Rs.126.90 lacs) towards cost of buildings for which titles are yet to be registered in the name of the Group.

\*\*\* Write down of certain items identified for disposal to their expected realisable value.

# Includes Rs. 448.89 lacs (previous year Rs.448.89 lacs) in respect of lands, titles for which are yet to be registered in the name of the Group.

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) Rs.1747.56 lacs (previous year Rs. 3097.59 lacs).

2. Additions for the year are net of exchange gain of Rs.Nil (previous year Rs.37.16 lacs) on account of fluctuations in the rate of exchange including increase/ decrease in rupee liability of long term foreign currency loan. Also, refer Note 14.

# GODFREY PHILLIPS INDIA LIMITED

Rupees in lacs

As at  
31.3.2008

As at  
31.3.2007

## SCHEDULE 5 - Investments

### LONG TERM (At cost)

#### TRADE INVESTMENT - UNQUOTED

Molind Engineering Limited

3,500 Equity Shares of Rs.10 each fully paid up

0.25

0.25

#### OTHER INVESTMENTS - QUOTED

Unit Trust of India

3,83,900 6.75% Tax Free US64 Bonds of Rs.100 each

383.90

383.90

Nestle India Limited

93 Equity Shares of Rs.10 each fully paid up

0.07

0.07

Glaxo Smithkline Beecham Consumer Healthcare Limited

320 Equity Shares of Rs.10 each fully paid up

0.38

0.38

GTC Industries Limited

100 Equity Shares of Rs.10 each fully paid up

0.01

0.01

VST Industries Limited

100 Equity Shares of Rs.10 each fully paid up

0.11

0.11

Hindustan Unilever (Formerly Hindustan Lever Limited)

290 Equity Shares of Re.1 each fully paid up

0.07

0.07

HDFC Bank Limited

15,000 Equity Shares of Rs.10 each fully paid up

1.50

1.50

Oriental Bank of Commerce

1,000 Equity shares of Rs.10 each fully paid up

0.60

0.60

Bank of Baroda

1,000 (Previous year 17,088) Equity Shares of Rs.10 each fully paid up

2.30

37.85

State Bank of Travancore

1,405 Equity Shares of Rs.100 each fully paid up

8.43

8.43

Bank of India

1,000 (Previous year 10,000) Equity Shares of Rs.10 each fully paid up

1.35

13.14

Corporation Bank

3,687 (Previous year 7,000) Equity Shares of Rs.10 each fully paid up

13.58

26.88

Punjab Communications Limited

2,399 (Previous year 3,700) Equity Shares of Rs.10 each fully paid up

6.00

9.25

Less: Provision for diminution in the value of investment

5.25

0.75

8.08

1.17

Narang Industries Limited

40,000 Equity Shares of Rs.10 each fully paid up

4.00

4.00

Circassia Pacific Finance Limited

1,00,000 Equity Shares of Rs.10 each fully paid up

10.00

10.00

Less: Provision for diminution in the value of investment

2.25

7.75

2.25

7.75

Biocon Limited

Nil (Previous year 200) Equity Shares of Rs.5 each fully paid up

-

0.63

Maruti Udyog Limited

950 Equity Shares of Rs.5 each fully paid up

1.19

1.19

Dena Bank

Nil (Previous year 9,104) Equity Shares of Rs.10 each fully paid up

-

2.45

Emami Limited

900 (Previous year 2,200) Equity Shares of Rs.2 each fully paid up

0.63

1.54

NTPC Limited

6,544 (Previous year 12,393) Equity Shares of Rs.10 each fully paid up

9.58

13.34

Punjab National Bank

1,376 (Previous year 376) Equity Shares of Rs10 each fully paid up

7.13

1.46

Reliance Industries Limited

2,510 (Previous year 1,510) Equity Shares of Rs10 each fully paid up

32.24

13.53

Tata Consultancy Services Limited

1,925 (Previous year 775) Equity Shares of Re1 each fully paid up

17.90

6.94

Glenmark Pharmaceutical Limited

Nil (Previous year 2,000) Equity Shares of Rs 2 each fully paid up

-

6.10

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

Rupees in lacs

|   | As at<br>31.3.2008 | As at<br>31.3.2007 |
|---|--------------------|--------------------|
| <b>SCHEDULE 5 - Investments (continued)</b>   |                    |                    |
| Allahabad Bank<br>Nil (Previous year 2,132) Equity Shares of Rs.10 each fully paid up   | -                  | 1.75               |
| ABG Shipyard Limited<br>Nil (Previous year 111) Equity Shares of Rs.10 each fully paid up   | -                  | 0.21               |
| AIA Engineering Limited<br>Nil (Previous year 80) Equity Shares of Rs.10 each fully paid up   | -                  | 0.25               |
| Ashok Leyland Limited<br>7,500 Equity Shares of Re.1 each fully paid up   | 2.05               | 2.05               |
| HT Media Limited<br>1,000 (Previous year 3,472) Equity Shares of Rs.2 each fully paid up  | 1.06               | 3.68               |
| Andhra Bank<br>12,379 (Previous year 6,986) Equity Shares of Rs.10 each fully paid up   | 11.40              | 6.29               |
| Bombay Rayon Fashions Limited<br>Nil (Previous year 2,400) Equity Shares of Rs.10 each fully paid up  | -                  | 2.86               |
| ICICI Bank Limited<br>2,339 (Previous year 1,000) Equity Shares of Rs.10 each fully paid up   | 18.58              | 5.25               |
| Zee Entertainment Enterprises Ltd.( Formerly Zee Telefilms Limited)<br>500 Equity Shares of Re.1 each fully paid up   | 0.82               | 0.82               |
| Zee News Limited<br>226 Equity shares of Re 1 each fully paid up<br>(@Received free of cost during the year pursuant to scheme of arrangement of Zee Entertainment Enterprises Limited) | - @                | -                  |
| Prithvi Information Solutions Limited<br>Nil (Previous year 336) Equity Shares of Rs.10 each fully paid up  | -                  | 0.90               |
| Punj Lloyd Limited<br>Nil (Previous year 69) Equity Shares of Rs.10 each fully paid up  | -                  | 0.48               |
| Triveni Engineering & Industries Limited<br>Nil (Previous year 21,050) Equity Shares of Re.1 each fully paid up   | -                  | 10.10              |
| Suzlon Energy Limited<br>975 (Previous year 487) Equity Shares of Rs.2 (Previous year Rs.10) each fully paid up<br>(Face value sub-divided during the year)                             | 0.99               | 2.47               |
| Talbro Automotive Components Limited<br>1,034 (Previous year 1,551) Equity Shares of Rs.10 each fully paid up   | 1.06               | 1.59               |
| Infrastructure Development Finance Company Limited<br>1,500 ( (Previous year 1,564) Equity Shares of Rs.10 each fully paid up   | 1.80               | 0.54               |
| Shopper's Stop Limited<br>Nil (Previous year 94) Equity Shares of Rs.10 each fully paid up  | -                  | 0.22               |
| Chennai Petroleum Corporation Limited<br>400 Equity Shares of Rs.10 each fully paid up  | 0.96               | 0.96               |
| Dabur India Limited<br>3,000 Equity Shares of Re.1 each fully paid up   | 2.11               | 2.11               |
| Gitanjali Gems Limited<br>Nil (Previous year 353) Equity Shares of Rs.10 each fully paid up   | -                  | 0.69               |
| Gujarat State Petronet Limited<br>Nil (Previous year 676) Equity Shares of Rs.10 each fully paid up   | -                  | 0.18               |
| GVK Power and Infrastructure Limited<br>Nil (Previous year 93) Equity Shares of Rs.10 each fully paid up  | -                  | 0.29               |
| HCL Technologies Limited<br>Nil (Previous year 400) Equity Shares of Rs.2 each fully paid up  | -                  | 1.05               |
| IFCI Limited<br>Nil (Previous year 25,000) Equity Shares of Rs.10 each fully paid up  | -                  | 4.26               |
| IL&FS Investsmart Limited<br>Nil (Previous year 76) Equity Shares of Rs.10 each fully paid up   | -                  | 0.10               |
| Jaiprakash Hydro Power Limited<br>Nil (Previous year 9,725) Equity Shares of Rs.10 each fully paid up   | -                  | 3.11               |

# GODFREY PHILLIPS INDIA LIMITED

Rupees in lacs

|   | As at<br>31.3.2008 | As at<br>31.3.2007 |
|---|--------------------|--------------------|
| <b>SCHEDULE 5 - Investments (continued)</b>   |                    |                    |
| SRF Limited<br>3,200 (Previous year 2,500) Equity Shares of Rs.10 each fully paid up                            | 8.31               | 7.28               |
| State Bank of India<br>1,000 Equity Shares of Rs.10 each fully paid up  | 8.76               | 8.76               |
| Tata Chemicals Limited<br>1,500 Equity Shares of Rs.10 each fully paid up                                       | 3.74               | 3.74               |
| Tulip IT Services Limited<br>Nil (Previous year 174) Equity Shares of Rs.10 each fully paid up                  | -                  | 0.21               |
| Union Bank of India<br>913 Equity Shares of Rs.10 each fully paid up  | 1.00               | 1.00               |
| Usha Martin Limited<br>Nil (Previous year 1,500) Equity Shares of Rs.5 each fully paid up                       | -                  | 2.76               |
| Yes Bank Limited<br>Nil (Previous year 5,000) Equity Shares of Rs.10 each fully paid up                         | -                  | 4.61               |
| Inox Leisure Limited<br>Nil (Previous year 90) Equity Shares of Rs.10 each fully paid up                        | -                  | 0.11               |
| Plethico Pharmaceuticals Limited<br>Nil (Previous year 116) Equity Shares of Rs.10 each fully paid up           | -                  | 0.35               |
| Kewal Kiran Clothing Limited<br>Nil (Previous year 307) Equity Shares of Rs.10 each fully paid up               | -                  | 0.80               |
| Cairn India Limited<br>Nil (Previous year 26,250) Equity Shares of Rs.10 each fully paid up                     | -                  | 42.00              |
| Lanco Infratech Limited<br>10,000 (Previous year 17,729) Equity Shares of Rs.10 each fully paid up              | 24.00              | 42.55              |
| Reliance Petroleum Limited<br>1,260 Equity Shares of Rs.10 each fully paid up                                   | 0.76               | 0.76               |
| Parsvnath Developers Limited<br>561 Equity Shares of Rs.10 each fully paid up                                   | 1.68               | 1.68               |
| Power Finance Corporation Limited<br>997 Equity Shares of Rs.10 each fully paid up                              | 0.85               | 0.85               |
| Idea Cellular Limited<br>1,637 (Previous year 2,137) Equity Shares of Rs.10 each fully paid up                  | 1.68               | 1.60               |
| Indian Bank Limited<br>2,096 Equity Shares of Rs.10 each fully paid up  | 1.91               | 1.91               |
| Technocraft Industries India Limited<br>2,350 Equity Shares of Rs.10 each fully paid up                         | 2.47               | 2.47               |
| Reliance Communication Ventures Limited<br>2,010 (Previous year 1,510) Equity Shares of Rs.5 each fully paid up | 2.75               | .*                 |
| Reliance Capital Limited<br>75 Equity Shares of Rs. 10 each fully paid up                                       | .*                 | .*                 |
| Reliance Energy Limited<br>1,113 (Previous year 113) Equity Shares of Rs.10 each fully paid up                  | 9.16               | .*                 |
| Reliance Natural Resources Limited<br>1,000 (Previous year 1,510) Equity Shares of Rs. 5 each fully paid up     | 1.01               | .*                 |
| Axis Bank<br>1,000 Equity Shares of Rs.10 each fully paid up  | 8.27               | -                  |
| Deccan Chronicle Holdings Limited<br>2,000 Equity Shares of Rs.2 each fully paid up                             | 3.40               | -                  |
| GMR Infrastructure Limited<br>5,000 Equity Shares of Rs.2 each fully paid up                                    | 10.63              | -                  |
| Industrial Development Bank of India<br>3,500 Equity Shares of Rs.10 each fully paid up                         | 4.70               | -                  |
| Indian Hotels Limited<br>3,500 Equity Shares of Re.1 each fully paid up   | 4.73               | -                  |



# GODFREY PHILLIPS INDIA LIMITED

Rupees in lacs

As at  
31.3.2008

As at  
31.3.2007

## SCHEDULE 5 - Investments (continued)

|   |       |   |
|---|-------|---|
| ITC Limited<br>4,500 Equity Shares of Re.1 each fully paid up   | 7.39  | - |
| J.K.Cement Limited<br>2,000 Equity Shares of Rs.10 each fully paid up   | 3.47  | - |
| Mahanagar Telephone Nigam Limited<br>1,000 Equity Shares of Rs.10 each fully paid up  | 1.65  | - |
| Mundra Port & Special Economic Zone Limited<br>48 Equity Shares of Rs.10 each fully paid up   | 0.21  | - |
| Omaxe Limited<br>210 Equity Shares of Rs.10 each fully paid up  | 0.65  | - |
| Power Grid Corporation of India Limited<br>16,591 Equity Shares of Rs.10 each fully paid up   | 18.88 | - |
| Steel Authority of India Limited<br>6,000 Equity Shares of Rs.10 each fully paid up   | 13.21 | - |
| SKF Limited<br>1,000 Equity Shares of Rs.10 each fully paid up  | 4.34  | - |
| Tata Motors Limited<br>1,000 Equity Shares of Rs.10 each fully paid up  | 6.96  | - |
| Tata Power Limited<br>1,000 Equity Shares of Rs.10 each fully paid up   | 11.52 | - |
| Vishal Retail Limited<br>25 Equity Shares of Rs.10 each fully paid up   | 0.07  | - |
| Wire and Wireless (India) Ltd<br>250 Equity Shares of Rs.10 each fully paid up<br>(#Received free of cost during the year pursuant to scheme of arrangement of Zee Entertainment Enterprises Limited) | - #   | - |
| Central bank of India Limited<br>374 Equity Shares of Rs.10 each fully paid up  | 0.38  | - |
| Fortis Healthcare Limited<br>51,176 Equity Shares of Rs.10 each fully paid up   | 55.27 | - |
| Reliance Power Limited<br>35 Equity Shares of Rs.10 each fully paid up  | 0.16  | - |
| Bharat Earth Movers Limited<br>166 Equity Shares of Rs.10 each fully paid up  | 1.78  | - |
| Cipla Limited<br>1,000 Equity Shares of Rs.10 each fully paid up  | 2.14  | - |
| ICRA Limited<br>1,000 Equity Shares of Rs.10 each fully paid up   | 9.68  | - |
| Infosys Technologies Limited<br>500 Equity Shares of Rs.10 each fully paid up   | 6.56  | - |
| Kotak Bank Limited<br>1,000 Equity Shares of Rs.10 each fully paid up   | 7.99  | - |

\*Acquired without cost under the scheme of mergers/ demergers in Reliance group of companies

## OTHER INVESTMENTS - UNQUOTED

Associate:

|   |       |       |
|---|-------|-------|
| Success Principles India Limited<br>1,99,673 Equity Shares of Rs. 10 each fully paid up<br>Cost of acquisition (net of capital reserve of Rs.1.67 lacs) | 19.97 | 19.97 |
| Add: Group's share of profit upto year end.   | 35.58 | 32.77 |
|   | 55.55 | 52.74 |

Others:

|   |       |       |
|---|-------|-------|
| Investment in Reliance Portfolio Management Service - Trinity Series -<br>a portfolio management scheme managed by<br>Reliance Capital Asset Management Limited | 48.70 | -     |
| Investment in Kotak - 2010 Opportunities Portfolio, a portfolio management scheme managed by<br>Kotak Securities Limited  | 65.54 | 50.00 |

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

Rupees in lacs

|   | As at<br>31.3.2008 | As at<br>31.3.2007 |
|---|--------------------|--------------------|
| <b>SCHEDULE 5 - Investments (continued)</b>   |                    |                    |
| Modi Entertainers Networks Private Limited<br>1,000 Equity Shares of Rs.10 each fully paid up                                       | 0.10               | 0.10               |
| Indo Euro Investment Company Private Limited<br>36,750 Equity Shares of Rs.100 each fully paid up                                   | 36.78              | 36.78              |
| Bharti Agritech Private Limited<br>9,800 Equity Shares of Rs.100 each fully paid up   | 9.80               | 9.80               |
| Modicare Limited<br>7,20,000 Equity Shares of Rs.10 each fully paid up  | 72.00              | 72.00              |
| Less: Provision for diminution in the value of investment   | <u>36.00</u>       | <u>36.00</u>       |
| Sundaram BNP Paribas Mutual Fund<br>38,53,758 Units of Sundaram BNP Paribas Bond Saver - Appreciation of Rs.10 each                 | 597.31             | 597.31             |
| Nil (Previous year 23,01,943) Units of Sundaram BNP Paribas Bond Saver - Bonus (Bonus Units) of Rs.10 each                          | -                  | 236.84             |
| Franklin Templeton Mutual Fund<br>Nil (Previous year 25,59,040) Units of Templeton India Income Fund - Growth of Rs. 10 each        | -                  | 353.50             |
| 10,00,000 (Previous year 20,00,000) Units of Templeton Monthly Income Plan-Half Yearly Dividend of Rs.10 each                       | 99.09              | 198.18             |
| 16,25,061 (Previous year 24,11,636) Units of Templeton India Government Securities Fund - Growth Plan of Rs.10 each                 | 268.46             | 398.40             |
| 35,90,487 Units of Franklin Templeton Capital Safety Fund -3 Years Plan - Growth of Rs.10 each                                      | 359.05             | 359.05             |
| 50,00,000 Units of Templeton Fixed Horizon Fund Series II - Plan A - Institutional - Growth of Rs.10 each                           | 500.00             | -                  |
| 19,55,990 Units of Franklin Asian Equity Fund - Growth Plan of Rs. 10 each (purchased during the year)                              | 200.00             | -                  |
| 50,00,000 Units of Templeton Fixed Horizon Fund Series VII - Plan A - Institutional - Growth of Rs.10 each                          | 500.00             | -                  |
| ICICI Prudential Mutual Fund<br>68,52,202 Units of ICICI Prudential Income Plan - Growth of Rs.10 each                              | 967.60             | 967.60             |
| Nil (Previous year 99,68,157) Units of ICICI Prudential FMP- Growth Yearly XII Institutional of Rs.10 each                          | -                  | 1080.00            |
| Nil (Previous year 50,00,000) Units of ICICI Prudential FMP Plan - Institutional Cumulative -XXVIII of Rs.10 each                   | -                  | 500.00             |
| 47,15,379 Units of ICICI Prudential Blended Plan A - Growth of Rs.10 each   | 500.00             | 500.00             |
| 30,00,000 Units of ICICI Prudential FMP Series 34- One year Plan B Institutional Growth of Rs.10 each                               | 300.00             | 300.00             |
| Nil (Previous year 1,31,55,625) Units of ICICI Prudential Hybrid FMP 13 Months Plan - Institutional - Growth of Rs.10 each          | -                  | 1315.56            |
| 1,00,00,000 Units of ICICI Prudential FMP Series 41-19 Months Plan - Institutional - I - Cumulative of Rs.10 each                   | 1000.00            | -                  |
| 90,00,000 Units of ICICI Prudential FMP Series 41-Fifteen Months Plan Institutional Growth of Rs.10 each                            | 900.00             | -                  |
| 46,01,330 Units of ICICI Prudential Institutional Liquid Plan- Super Institutional Growth of Rs. 10 each                            | 531.52             | -                  |
| Birla Mutual Fund<br>71,09,185 (Previous year 42,47,005) Units of Birla Income Plus Plan B - Growth of Rs.10 each                   | 1757.68            | 757.68             |
| Nil (Previous year 12,46,416) Units of Birla Gilt Plus Regular Plan - Growth of Rs.10 each  | -                  | 199.37             |
| 17,68,113 Units of Birla MIP Plan - Growth of Rs.10 each  | 277.78             | 277.78             |
| Nil (Previous year 50,00,000) Units of Birla FTP Series H - Growth of Rs. 10 each   | -                  | 500.00             |
| 30,90,896 (Previous year 28,35,235) Units of Birla Sun Life Monthly Income- Quarterly Dividend - Reinvestment of Rs.10 each         | 348.94             | 319.83             |
| 100,00,000 Units of Birla FTP - Institutional - Series U - Growth of Rs. 10 each  | 1000.00            | 1000.00            |
| 54,68,650 Units of Birla FTP - Institutional -Series -V- Growth of Rs. 10 each  | 546.86             | -                  |
| 19,51,219 Units of BSL International Equity - Plan B - Growth of Rs. 10 each  | 200.00             | -                  |
| 50,00,000 Units of Birla FTP - Institutional - Series AK - Growth of Rs. 10 each  | 500.00             | -                  |
| Kotak Mahindra Mutual Fund<br>Nil (Previous year 17,31,037) Units of Kotak Gilt (Investment Regular) - Growth of Rs.10 each         | -                  | 291.53             |
| Nil (Previous year 16,78,451) Units of Kotak Bond Regular - Growth of Rs.10 each  | -                  | 249.33             |
| 10,00,000 Units of Kotak Wealth Builder Series 1 - Growth of Rs.10 each   | 100.00             | 100.00             |
| 20,00,000 Units of Kotak Flexi Fund of Funds - Series II (Dividend) of Rs.10 each   | 200.00             | 200.00             |
| DSP Merrill Lynch Mutual Fund<br>Nil (Previous year 39,55,693) Units of DSP Merrill Lynch Bond Fund Retail - Growth of Rs.10 each   | -                  | 595.82             |
| 1,00,00,000 Units of DSP Merrill Lynch FMP 13 M Series 1 - Institutional Growth of Rs. 10 each                                      | 1000.00            | -                  |
| SBI Mutual Fund<br>Nil (Previous year 34,44,028) Units of Magnum Income Fund - Growth Plan of Rs.10 each                            | -                  | 397.87             |
| 22,92,313 Units of Magnum Monthly Income Plan-Growth Option of Rs.10 each   | 316.21             | 316.21             |
| 10,00,000 Units of SBI - Infrastructure Fund - I - Growth of Rs. 10 each  | 100.00             | -                  |
| 1,00,00,000 Units of SBI - Debt Fund Series - 13 Months -7- (18-Mar-08) - Institutional - Growth of Rs.10 each                      | 1000.00            | -                  |
| Standard Chartered Mutual Fund<br>Nil (Previous year 22,40,889) Units of GSSG GSSIF - Investment Plan - Growth Option of Rs.10 each | -                  | 269.48             |
| Nil (Previous year 1,50,00,000) Units of Grindlays Fixed Maturity 7th Plan -B - Growth of Rs.10 each                                | -                  | 1500.00            |
| 50,00,000 Units of Standard Chartered Enterprise Equity Fund - Growth of Rs.10 each   | 500.00             | 500.00             |
| Nil (Previous year 1,37,87,625) Units of Standard Chartered Fixed Maturity Plan Yearly Series 1- Growth of Rs.10 each               | -                  | 1378.76            |
| 50,00,000 Units of Standard Chartered Fixed Maturity Plan - Yearly Series 7- Growth of Rs.10 each                                   | 500.00             | -                  |
| 30,00,000 Units of Standard Chartered Fixed Maturity Plan - Yearly Series 9 - Growth of Rs.10 each                                  | 300.00             | -                  |
| 1,44,17,784 Units of Standard Chartered Arbitrage Fund - Plan B - Dividend of Rs.10 each  | 1493.37            | -                  |
| 50,00,000 Units of Standard Chartered Fixed Maturity Plan - Yearly Series 17 - Plan B - Growth of Rs.10 each                        | 500.0              | -                  |

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Rupees in lacs

|  | As at<br>31.3.2008 | As at<br>31.3.2007 |
|--|--------------------|--------------------|
| <b>SCHEDULE 5 - Investments (continued)</b>  |                    |                    |
| <b>HDFC Mutual Fund</b>  |                    |                    |
| Nil (Previous year 40,56,978) Units of HDFC Income Fund - Growth of Rs.10 each   | -                  | 471.19             |
| 67,42,779 Units of HDFC FMP 367D April 2007(5) - Wholesale Plan Growth of Rs. 10 each  | 674.28             | -                  |
| 1,50,00,000 Units of HDFC FMP 18M September 2007 (VI) - Wholesale Plan Growth of Rs.10 each  | 1500.00            | -                  |
| 20,73,283 Units of HDFC Arbitrage Fund - Wholesale Plan - Quarterly Dividend of Rs. 10 each  | 207.33             | -                  |
| 1,00,00,000 Units of HDFC FMP 18M January 2008 (VII) - Wholesale Plan Growth of Rs.10 each   | 1000.00            | -                  |
| <b>DBS Chola Mutual Fund</b>   |                    |                    |
| Nil (Previous year 7,85,989) Units of DBS Chola Triple Ace- Regular - Bonus- Bonus Units of Rs.10 each                                 | -                  | 88.89              |
| 30,00,000 Units of DBS Chola Fixed Maturity Plan -Series 6 (371 Days Plan) - Cumulative of Rs.10 each                                  | 300.00             | 300.00             |
| <b>HSBC Mutual Fund</b>  |                    |                    |
| Nil (Previous year 50,00,000) Units of HSBC Fixed Term Series 13 Institutional Growth of Rs.10 each                                    | -                  | 500.00             |
| Nil (Previous year 1,00,00,000) Units of HSBC Fixed Term Series 9 - Growth of Rs.10 each   | -                  | 1000.00            |
| Nil (Previous year 1,00,00,000) Units of HSBC Fixed Term Series 15 - Institutional - Growth of Rs.10 each                              | -                  | 1000.00            |
| 1,07,99,900 Units of HSBC Fixed Term Series -32 Regular Growth of Rs.10 each   | 1079.99            | -                  |
| 50,00,000 Units of HSBC Fixed Term Series - 44 Institutional Growth of Rs.10 each  | 500.00             | -                  |
| <b>Principal Mutual Fund</b>   |                    |                    |
| 38,42,983 Units of Principal Income Fund -Growth Plan of Rs.10 each  | 400.20             | 400.20             |
| 30,00,000 Units of PNB Fixed Maturity Plan - ( FMP-37) 385 Days - Series IV - Mar 07 Institutional Growth Plan of Rs.10 each           | 300.00             | 300.00             |
| <b>UTI Mutual Fund</b>   |                    |                    |
| Nil (Previous year 1,00,00,000) Units of UTI - Fixed Maturity Plan - (YFMP/0906) Growth Plan of Rs.10 each                             | -                  | 1000.00            |
| 1,00,00,000 Units of UTI Fixed Term Income Fund IV - III(08-14 Months) Institutional Plan of Rs.10 each                                | 1000.00            | -                  |
| <b>Reliance Mutual Fund</b>  |                    |                    |
| Nil (Previous year 14,11,423) Units of RMTF-Retail Plan - Growth Plan - Bonus Option of Rs.10 each                                     | -                  | 142.86             |
| Nil (Previous year 9,72,195) Units of RIF Retail Plan - Growth of Rs.10 each   | -                  | 100.00             |
| Nil (Previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund I -Annual Plan-Series III Institutional Growth Plan of Rs.10 each | -                  | 1000.00            |
| 50,00,000 Units of Reliance Fixed Horizon Fund II - Annual Plan - Series II - Institutional Growth Plan of Rs.10 each                  | 500.00             | 500.00             |
| 1,00,00,00 Units of Reliance Fixed Horizon Fund -V- 3 Year Plan - Series - I - Institutional Growth Plan of Rs.10 each                 | 1000.00            | -                  |
| 50,00,000 Units of Reliance Fixed Horizon Fund IV- Series 7- Institutional Growth Plan of Rs.10 each                                   | 500.00             | -                  |
| 2,50,00,000 Units of Reliance Fixed Horizon Fund - IV Series - 5 - Institutional Growth Plan of Rs.10 each                             | 2500.00            | -                  |
| 20,000 Units of Reliance Equity Opportunity Fund -Growth of Rs. 10 each  | 2.00               | 2.00               |
| 97,800 Units of Reliance Equity Advantage Fund -Retail Plan -Growth of Rs.10 each  | 10.00              | -                  |
| <b>TATA Mutual Fund</b>  |                    |                    |
| 50,00,000 Units of TATA Indo - Global Infrastructure Fund -Growth of Rs.10 each  | 500.00             | -                  |
| 1,00,00,000 Units of TATA Fixed Investment Plan - 1 Scheme A - Institutional Plan - Growth of Rs. 10 each                              | 1000.00            | -                  |
| <b>ING Mutual Fund (Formerly ING Vysya Mutual Fund)</b>  |                    |                    |
| 16,67,838 Units of ING Vysya Income Fund - Short Term Plan - Growth option of Rs.10 each   | 219.25             | 219.25             |
| Nil (Previous year 1,00,00,000) Units of ING Fixed Maturity Fund - XXIV - Growth of Rs.10 each   | -                  | 1000.00            |
| 20,00,000 Units of ING Fixed Maturity Fund - XXXI Institutional Growth of Rs.10 each   | 200.00             | -                  |
| 20,00,000 Units of ING Global Real Estate Fund - Retail Growth of Rs.10 each   | 200.00             | -                  |
| 50,00,000 Units of ING Long Term FMP - 1 Institutional Growth of Rs.10 each  | 500.00             | -                  |
| <b>AIG Mutual Fund</b>   |                    |                    |
| 9,77,995 Units of AIG India Equity Fund Regular Growth of Rs.10 each   | 100.00             | -                  |
| 9,77,995 Units of AIG Infrastructure and Economic Reform Fund Regular Growth of Rs.10 each   | 100.00             | -                  |
| <b>DWS Mutual Fund</b>   |                    |                    |
| 20,00,000 Units of DWS Fixed Term Fund Series 41- Institutional Growth of Rs.10 each   | 200.00             | -                  |
| <b>Lotus India Mutual Fund</b>   |                    |                    |
| 20,00,000 Units of Lotus India FMP -14 Months - Series II - Institutional Growth of Rs.10 each   | 200.00             | -                  |
| <b>ABN Amro Mutual Fund</b>  |                    |                    |
| 50,00,000 Units of ABN Amro FTP Series 10 Plan F Institutional Growth of Rs.10 each  | 500.00             | -                  |
| <b>Government Securities</b><br>(lodged as security with Government Authorities)   | 0.36               | 0.36               |
|  | <b>33596.42</b>    | <b>24579.21</b>    |
| <b>Aggregate amount of quoted investments</b>  | <b>786.42</b>      | <b>708.69</b>      |
| <b>Aggregate amount of unquoted investments</b>  |                    |                    |
| -Units of Mutual Funds   | 32671.16           | 23734.49           |
| -Others  | 138.84             | 136.03             |
|  | <b>32810.00</b>    | <b>23870.52</b>    |
| <b>Market value of quoted investments</b>  | <b>1094.62</b>     | <b>924.03</b>      |
| <b>Net asset value/repurchase price of units of Mutual Funds</b>   | <b>35938.52</b>    | <b>27844.95</b>    |

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Rupees in lacs

|  | As at<br>31.3.2008 | As at<br>31.3.2007 |
|--|--------------------|--------------------|
|--|--------------------|--------------------|

## SCHEDULE 6 - Inventories

At cost or under:

Stores and spare parts

801.94

744.39

At lower of cost and net realisable value:

Raw and packing materials

16168.73

10054.32

Work-in-process

188.49

124.62

Finished goods - Cigarettes

5314.38

3190.03

- Cigars

338.10

174.86

Other goods

925.33

729.73

Real estate\*

405.69

405.69

24142.66

15423.64

\*Includes land at revalued cost

## SCHEDULE 7 - Sundry debtors

CONSIDERED GOOD

Over six months - unsecured

7.12

17.45

Others - secured

20.83

4.10

- unsecured

2278.25

1548.06

CONSIDERED DOUBTFUL

Over six months - unsecured

67.84

70.96

Others - unsecured

-

5.24

2374.04

1645.81

Less: Provision for doubtful debts

67.84

76.20

2306.20

1569.61

## SCHEDULE 8 - Cash and bank balances

Cash on hand

22.44

28.54

Cheques on hand

155.66

710.90

With scheduled banks : On current accounts

565.02

751.56

: On margin money accounts

106.33

38.06

: On fixed deposit accounts\*\*

101.38

3.25

950.83

1532.31

\*\* Includes Rs. 42.38 lacs (previous year Rs. 3.25 lacs) being lodged as security with Government Authorities

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Rupees in lacs

|  | As at<br>31.3.2008 | As at<br>31.3.2007 |
|--|--------------------|--------------------|
|--|--------------------|--------------------|

## SCHEDULE 9 - Loans and advances

Unsecured, considered good, unless otherwise stated:

|  |                |                |
|--|----------------|----------------|
| Advances recoverable in cash or in kind or for value to be received* | 4956.14        | 1840.66        |
| Inter corporate deposits   | 755.00         | 975.00         |
| With excise and customs on current/cenvat accounts                   | 677.00         | 319.92         |
| Income-tax recoverable   | 1058.01        | 954.14         |
|  | <u>7446.15</u> | <u>4089.72</u> |

\* Includes Rs.3.94 lacs (previous year Rs.4.85 lac) due from officer/directors of the Company.  
Maximum amount due during the year Rs.4.89 lacs (previous year Rs.8.97 lacs).

## SCHEDULE 10 - Current liabilities

|  |                 |                |
|--|-----------------|----------------|
| Sundry creditors #                                 |                 |                |
| Dues of micro and small enterprises                | 60.92           | 21.27          |
| Dues of other than micro and small enterprises     | 17467.21        | 9692.53**      |
| Interest accrued but not due on loans and deposits | 84.27           | 32.97          |
|  | <u>17612.40</u> | <u>9746.77</u> |

# Sundry creditors do not include any amounts outstanding as on March 31, 2008 which are required to be credited to the Investor Education and Protection Fund.

\*\* Includes Rs.779.86 lacs due to small scale industrial undertakings.

## SCHEDULE 11 - Provisions

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Proposed dividend                  | 2599.70        | 2599.70        |
| Corporate dividend tax             | 441.82         | 441.82         |
| Taxation (net of payments)         | 1001.55        | 850.39         |
| Provision for compensated absences | 2154.60        | 1741.47        |
| Provision for gratuity             | 641.99         | -              |
|                                    | <u>6839.66</u> | <u>5633.38</u> |

## SCHEDULE 12 - Deferred taxation

### Deferred tax liabilities

|                            |                |                |
|----------------------------|----------------|----------------|
| - Accelerated depreciation | 1200.67        | 1029.94        |
| - Capital gains            | 45.31          | 109.73         |
|                            | <u>1245.98</u> | <u>1139.67</u> |

### Deferred tax assets

|  |               |               |
|--|---------------|---------------|
| - Accrued expenses deductible on payment | 964.10        | 663.25        |
| - Voluntary retirement scheme            | -             | 3.78          |
| - Provision for doubtful debts/advances  | 23.06         | 25.90         |
|  | <u>987.16</u> | <u>692.93</u> |

|                                |               |               |
|--------------------------------|---------------|---------------|
| Deferred tax liabilities - net | <u>258.82</u> | <u>446.74</u> |
|--------------------------------|---------------|---------------|



Rupees in lacs

|  | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|------------------------------------|------------------------------------|
|--|------------------------------------|------------------------------------|

**SCHEDULE 13 - Other income**

|   |                |                |
|---|----------------|----------------|
| Rent and hire charges (gross)                                     | 97.99          | 100.32         |
| Interest (gross) from debts, deposits, loans, etc.                | 180.87         | 133.98         |
| Income (gross) from other long term investments:                  |                |                |
| - Dividends   | 100.06         | 38.61          |
| - Interest  | 25.91          | 25.91          |
| Profit on redemption/sale of other long term investments          | 2946.98        | 1913.26        |
| Profit on sale of current investments                             | 552.00         | 344.40         |
| Profit on sale of fixed assets                                    | 1421.58        | -              |
| Provision for diminution in the value of investments written back | 2.83           | -              |
| Doubtful debts and advances written back                          | 6.85           | 5.70           |
| Export incentives   | 382.63         | 82.08          |
| Sundries  | 852.59         | 522.35         |
|   | <u>6570.29</u> | <u>3166.61</u> |
| Tax deducted at source:   |                |                |
| Interest income   | 22.83          | 20.14          |
| Rent and hire charges   | 24.59          | 23.90          |
| Sundries  | 1.83           | 0.45           |

**SCHEDULE 14 - Raw and packing materials, manufactured and other goods**

|   |                 |                 |
|---|-----------------|-----------------|
| Raw and packing materials consumed  | 21639.56        | 18997.06        |
| Purchases for resale (including transferred from raw and packing materials) | 12010.27        | 7829.03         |
| (Increase)/decrease in work-in-process, finished goods and other goods      |                 |                 |
| Opening stock:  |                 |                 |
| - Work-in-process   | 124.62          | 102.03          |
| - Cigarettes  | 3190.03         | 4520.00         |
| - Cigars  | 174.86          | 119.37          |
| - Other goods   | 729.73          | 602.27          |
| - Real estate   | 405.69          | 405.69          |
|   | <u>4624.93</u>  | <u>5749.36</u>  |
| Closing stock:  |                 |                 |
| - Work-in-process   | 188.49          | 124.62          |
| - Cigarettes  | 5314.38         | 3190.03         |
| - Cigars  | 338.10          | 174.86          |
| - Other goods   | 925.33          | 729.73          |
| - Real estate   | 405.69          | 405.69          |
|   | <u>7171.99</u>  | <u>4624.93</u>  |
|   | (2547.06)       | 1124.43         |
|   | <u>31102.77</u> | <u>27950.52</u> |

# G O D F R E Y   P H I L L I P S   I N D I A   L I M I T E D

Rupees in lacs

|  | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|------------------------------------|------------------------------------|
|--|------------------------------------|------------------------------------|

## SCHEDULE 15 - Manufacturing and other expenses

|   |          |          |
|---|----------|----------|
| Salaries, wages and bonus   | 7200.74  | 5971.30  |
| Contribution to provident and other funds<br>(including administrative charges) | 493.68   | 430.73   |
| Workmen and staff welfare expenses  | 791.49   | 696.78   |
| Contribution to gratuity and superannuation fund                                | 1005.29  | 730.71   |
| Consumption of stores and spare parts   | 44.57    | 41.72    |
| Power and fuel  | 1350.95  | 983.89   |
| Repairs and maintenance - Buildings   | 321.33   | 227.32   |
| - Machinery   | 647.24   | 610.19   |
| - Others  | 330.19   | 260.46   |
| Rent  | 918.79   | 688.33   |
| Rates and taxes   | 2839.76  | 3730.71  |
| Insurance   | 332.52   | 351.20   |
| Freight and cartage   | 1151.54  | 1111.53  |
| Legal and professional expenses   | 1989.59  | 1532.79  |
| Auditors' remuneration  | 90.35    | 79.54    |
| Interest - Fixed loans  | 344.45   | 272.77   |
| - Others  | 23.09    | 19.67    |
| Cash discounts  | 80.15    | 61.07    |
| Commission paid to other than sole selling agents                               | 309.84   | 113.25   |
| Advertising and sales promotion   | 13794.28 | 11198.50 |
| Selling and distribution expenses   | 1777.69  | 1762.01  |
| Travelling and conveyance   | 1909.93  | 1659.28  |
| Donations   | 190.97   | 130.88   |
| Bad debts and advances written off  | 11.48    | 0.39     |
| Provision for doubtful debts and advances                                       | 2.95     | 3.33     |
| Fixed assets written off/written down   | 30.74    | 81.75    |
| Loss on sale of fixed assets  | -        | 51.72    |
| Technical services fee and royalty  | 772.59   | 666.87   |
| Provision for diminution in the value of investments                            | -        | 0.34     |
| Preliminary expenses written off  | 0.36     | 0.37     |
| Miscellaneous expenses  | 4187.99  | 3371.11  |
|   | 42944.54 | 36840.51 |

(a) Consumption of stores and spare parts has been computed after deducting the amount of spare parts charged to repairs and maintenance - machinery

524.17                      438.72

(b) Insurance has been computed after deducting the amount for transit insurance charged to raw and packing materials, stores, etc.

19.53                      11.90

**SCHEDULE 16 – Notes to the consolidated accounts**

**1. BASIS OF CONSOLIDATION**

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21)-“Consolidated Financial Statements” and Accounting Standard 23 (AS 23) – “Accounting for Investments in Associates in Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.

- a) The subsidiaries (which along with Godfrey Phillips India Limited, the Parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

| Name   | Country of incorporation | Percentage of voting power as at |               |
|--|--------------------------|----------------------------------|---------------|
|  |                          | March 31,2008                    | March 31,2007 |
| International Tobacco Company Limited                              | India                    | 100                              | 100           |
| Chase Investments Limited  | India                    | 100                              | 100           |
| City Leasing and Finance Company Limited                           | India                    | 100                              | 100           |
| Manhattan Credits and Finance Limited                              | India                    | 100                              | 100           |
| Kashyap Metal and Allied Industries Limited                        | India                    | 66.23*                           | 66.23*        |
| Unique Space Developers Limited                                    | India                    | 66.67*                           | 66.67*        |
| Gopal Krishna Infrastructure & Real Estate Limited                 | India                    | 66.67**                          | 66.67**       |
| Rajputana Infrastructure Corporate Limited                         | India                    | 66.23***                         | 66.23***      |
| * Held through other subsidiaries                                  |                          |                                  |               |
| ** 100% Subsidiary of Unique Space Developers Limited              |                          |                                  |               |
| *** 100% Subsidiary of Kashyap Metal And Allied Industries Limited |                          |                                  |               |
| b) The Group's associate is:                                       |                          |                                  |               |
| Success Principles India Limited                                   | India                    | 48.89                            | 48.89         |

These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries and an associate, on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21 and AS 23 by each of the aforesaid entities.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

**i) Fixed assets and depreciation**

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and include interest on loans attributable to the acquisition qualifying of assets upto the date of their commissioning.

Value of goodwill and patents and trade marks is not amortized because, in view of the management, there is no diminution in their value. No amortization is done in respect of leasehold land in view of the leases being perpetual.

Depreciation in the accounts is charged on the straight line method at the rates prescribed under the Companies Act, 1956 and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Extra shift depreciation is computed in full on a concern basis and not prorated to the number of days of shift working. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The depreciation rates which are different from the principal rates specified in Schedule XIV of the Companies Act, 1956 are as follows:-

|   |  |
|---|--|
| Items of machinery and equipment costing upto Rs. 5,000 each acquired upto December 16, 1993  | 95%  |
| Assets, other than data processing equipment, acquired upto December 31, 1987 and data processing equipment acquired upto December 31, 1986 | SLM equivalent of rates applicable under the Income-tax Rules, 1962 at the time of acquisition of such assets. |

**ii) Investments**

Long term investments, other than in associates, are stated at cost. Provision is made for permanent diminution in the value of long term investments, where applicable. Investment in the associate is accounted for using the equity method. Current investments are stated at cost or fair value, whichever is lower.

**SCHEDULE 16 – Notes to the consolidated accounts (contd.)**

**iii) Inventories**

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost or under and real estate which is valued at revalued cost of land and construction thereon at cost. The cost of raw materials, stores and spares and other goods is determined on monthly weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

**iv) Revenue recognition**

Sale of goods is recognised at the point of despatch of goods to customers. Sales are inclusive of excise duty, where applicable but are exclusive of sales tax. Income from investments is recognised on an accrual basis.

**v) Employee benefits**

The Group has various schemes of employee benefits such as provident fund, superannuation fund and gratuity fund, duly recognised by the Income-tax authorities. The funds are administered through trustees and the contributions are charged against the revenue every year. Accrued liability for gratuity and compensated absences on retirement are determined on the basis of actuarial valuation at the end of the financial year.

**vi) Income-tax**

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**vii) Proposed dividends**

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

**viii) Research and development expenditure**

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred.

**ix) Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of transactions. Gains/losses on settlement of the transactions are taken to the relevant revenue heads in the profit and loss account. The monetary items are translated at the year end rates and the gains/losses are taken to the relevant revenue heads in the profit and loss account.

The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract in the profit and loss account. The exchange difference on such contracts i.e. difference between the exchange rate at the reporting / settlement date and the exchange rate on the date of inception of the contract/the last reporting date, is recognised as income or expense for the period. Also refer to Note 14 below.

**x) Investment subsidiaries**

Income recognition, assets classification and provisioning are done in accordance with the prudential norms/guidelines issued by the Reserve Bank of India from time to time for Non-Banking Financial Companies.

Rupees in lacs

|  | For the year<br>ended<br>31.03.2008 | For the year<br>ended<br>31.03.2007 |
|--|-------------------------------------|-------------------------------------|
|--|-------------------------------------|-------------------------------------|

**3. REMUNERATION OF DIRECTORS**

Included in Schedule 15 are:

|                            |        |        |
|----------------------------|--------|--------|
| Salaries*                  | 112.32 | 81.36  |
| Monetary value of benefits | 34.19  | 31.49  |
| Commission                 | 79.53  | 56.80  |
| Sitting fees               | 10.60  | 9.50   |
|                            | 236.64 | 179.15 |

\* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

**4. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT**

|                     |        |        |
|---------------------|--------|--------|
| Revenue expenditure | 496.07 | 356.43 |
| Capital expenditure | 287.56 | 58.64  |

**5. AUDITORS' REMUNERATION\***

|  |         |         |
|--|---------|---------|
| As auditors  |         |         |
| Audit fee  | 40.11   | 35.81   |
| Out of pocket expenses   | 4.83    | 3.50    |
| In other capacity  |         |         |
| For limited review of unaudited financial results  | 24.00   | 21.75   |
| For corporate governance, consolidated financial statements and other certification work | 3.50    | 3.11    |
| For tax audit  | 11.05   | 10.03   |
| For miscellaneous certificates   | 6.86    | 5.34    |
|  | 90.35** | 79.54** |

\* Net of service tax where cenvat credit is available

\*\* Including Rs.0.86 lacs (Previous year Rs.0.54 lacs) paid to other auditor's of subsidiary companies.

Rupees in lacs

|  | As at<br>31.03.2008 | As at<br>31.03.2007 |
|--|---------------------|---------------------|
|--|---------------------|---------------------|

**6. CONTINGENT LIABILITIES NOT PROVIDED FOR**

|   |        |        |
|---|--------|--------|
| a) Demands from excise, sales tax and other authorities disputed by the Group | 268.05 | 288.50 |
| b) Claims against the Group not acknowledged as debts                         | 1.37   | 1.37   |

7. The Group has received various show cause notices from Excise Authorities asking them to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Group does not consider these to constitute a liability of any kind.

**SCHEDULE 16 – Notes to the consolidated accounts (contd.)**

8. The Group has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are cancellable in nature and range between two to three years and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Schedule 15.

The Group has let out and sub-let part of its owned and rented office premises under lease arrangements which are cancellable in nature but renewable on mutually agreeable terms. The rent and hire charges in respect thereof have been accrued as income in Schedule 13.

9. Exchange gain included in the profit and loss account for the year is Rs.381.85 lacs (previous year Rs.4.60 lacs).

|  | For the year ended<br>31.03.2008 | For the year ended<br>31.03.2007 |
|--|----------------------------------|----------------------------------|
|--|----------------------------------|----------------------------------|

10. Earnings per share has been computed as under:

|   |             |             |
|---|-------------|-------------|
| (a) Net profit as per consolidated profit and loss account (Rs.lacs)                  | 12434.46    | 8897.05     |
| (b) Weighted average number of equity shares outstanding                              | 1,03,98,784 | 1,03,98,784 |
| (c) Basic and diluted earnings per share (Rupees)<br>(face value of share-Rs.10 each) | 119.58      | 85.56       |

11. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

(a) Associates:

Philip Morris International Finance Corporation, of which Godfrey Phillips India Limited is an associate.

(b) Key management personnel:

|                      |                                 |
|----------------------|---------------------------------|
| Mr. K.K.Modi         | President and Managing Director |
| Mr. Lalit Kumar Modi | Executive Director              |
| Mr. Samir Kumar Modi | Executive Director              |
| Mr. S.V.Shanbhag     | Whole-time Director             |

(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Modi Entertainment Limited  
Modicare Limited  
Modern Homecare Products Limited  
K.K.Modi Investment & Financial Services Private Limited  
Beacon Travels Private Limited  
Modipon Limited  
Assam Cigarette Company Private Limited  
R.C. Tobacco Private Limited  
HMA Udyog Private Limited  
Kaushambi Investment & Leasing Company Private Limited  
Bina Fashion N Food Private Limited  
Modicare Foundation  
Priyal Hitay Nidhi  
Colorbar Cosmetics Private Limited  
Gujarmal Modi Science Foundation  
Ananda Embroidery Industries Private Limited  
Doruka Designs Private Limited

11. (B) Disclosure of transactions between the Group and related parties and the status of outstanding balances as at the year end:

Rupees in lacs

| Nature of transactions                       | Associate |        | Key management personnel |        | Enterprises over which significant influence exists |                     |
|--|-----------|--------|--------------------------|--------|---|---------------------|
|  | 2008      | 2007   | 2008                     | 2007   | 2008  | 2007                |
| Sale of goods, spare parts, etc.             | -         | -      | -                        | 0.60   | 7.73  | 3.60                |
| Purchase of goods/services                   | -         | -      | -                        | -      | 862.18 <sup>#</sup>                                 | 611.12 <sup>#</sup> |
| Purchase of fixed assets                     | -         | -      | -                        | -      | 2.39  | 4.08                |
| Rent and hire charges received               | -         | -      | -                        | -      | 96.53   | 94.92               |
| Rent paid                                    | -         | -      | -                        | -      | 22.95   | 22.41               |
| Payments for employees on deputation         | -         | -      | -                        | -      | 85.47   | 82.17               |
| Donations given                              | -         | -      | -                        | -      | 102.35  | 95.60               |
| Expenses recovered                           | -         | -      | 0.53                     | 0.53   | 0.82  | 2.27                |
| Expenses reimbursed                          | -         | -      | -                        | -      | 3.08  | 4.89                |
| Dividend payment (gross)                     |           |        |                          |        |   |                     |
| -Philip Morris International Finance Corpn.  | 934.18    | 840.76 | -                        | -      | -   | -                   |
| Managerial remuneration ##                   | -         | -      | 226.04                   | 169.64 | -   | -                   |
| Provision for doubtful advances written back |           |        |                          |        | -   | -                   |
| Balance outstanding as at the year end       |           |        |                          |        |   |                     |
| - Loans and advances                         | -         | -      | 2.72                     | 0.01   | 13.42   | 12.24               |
| - Sundry creditors                           | -         | -      | 0.35                     | 0.29   | 583.50  | 742.76              |

<sup>#</sup> includes Rs.759.28 lacs (previous year Rs.530.26 lacs) from Beacon Travels Private Ltd.

<sup>##</sup> excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

# G O D F R E Y P H I L L I P S I N D I A L I M I T E D

## SCHEDULE 16 – Notes to the consolidated accounts (contd.)

### 12. Segment reporting disclosures under Accounting Standard 17

#### (A) Business segments:

Based on the guiding principles given in Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Group's primary business segments are (a) Cigarette and tobacco products; (b) Tea and other retail products and (c) Others (investment and real estate business activities of the subsidiaries).

#### (B) Geographical segments:

Since the Group's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.

Financial information about the primary business segments is presented in the table below:

Rupees in lacs

|    |  | Cigarette<br>and tobacco<br>products | Tea and<br>other retail<br>products | Others  | Total     | Cigarette<br>and tobacco<br>products | Tea and<br>other retail<br>products | Others  | Total     |
|----|--|--------------------------------------|-------------------------------------|---------|-----------|--------------------------------------|-------------------------------------|---------|-----------|
|    |  | For the year ended March 31, 2008    |                                     |         |           | For the year ended March 31, 2007    |                                     |         |           |
| 1. | Segment revenue - External sales (gross)   | 175269.93                            | 7191.83                             | -       | 182461.76 | 153906.05                            | 5770.66                             | -       | 159676.71 |
|    | - Less: Excise duty  | 92168.56                             | -                                   | -       | 92168.56  | 83528.33                             | -                                   | -       | 83528.33  |
|    | - Net sales  | 83101.37                             | 7191.83                             | -       | 90293.20  | 70377.72                             | 5770.66                             | -       | 76148.38  |
|    | - Other income   | 887.73                               | 48.86                               | 1756.32 | 2692.91   | 694.67                               | 34.78                               | 40.17   | 769.62    |
|    | - Total  | 83989.10                             | 7240.69                             | 1756.32 | 92986.11  | 71072.39                             | 5805.44                             | 40.17   | 76918.00  |
|    | - Unallocable income   |                                      |                                     |         | 3877.38   |                                      |                                     |         | 2396.99   |
|    | Total revenue  |                                      |                                     |         | 96863.49  |                                      |                                     |         | 79314.99  |
| 2. | Segment result   | 14573.61                             | (898.87)                            | 1625.20 | 15299.94  | 12329.19                             | (651.75)                            | (10.13) | 11667.31  |
|    | - Unallocable income net of unallocable expenses                                     |                                      |                                     |         | 3758.90   |                                      |                                     |         | 2326.61   |
|    | Profit before interest and taxation  |                                      |                                     |         | 19058.84  |                                      |                                     |         | 13993.92  |
|    | - Interest expenses  |                                      |                                     |         | (360.75)  |                                      |                                     |         | (286.65)  |
|    | - Provision for taxation   |                                      |                                     |         | (5954.33) |                                      |                                     |         | (4813.43) |
|    | Profit after taxation before share of results of an associate and minority interests |                                      |                                     |         | 12743.76  |                                      |                                     |         | 8893.84   |
|    | Share of net profit of an associate  |                                      |                                     |         | 2.81      |                                      |                                     |         | 2.12      |
|    | Profit after taxation before minority interests                                      |                                      |                                     |         | 12746.57  |                                      |                                     |         | 8895.96   |
| 3. | Other information  | As at March 31, 2008                 |                                     |         |           | As at March 31, 2007                 |                                     |         |           |
| a) | Segment assets   | 46225.52                             | 1931.51                             | 3572.47 | 51729.50  | 33276.97                             | 1701.25                             | 2102.53 | 37080.75  |
|    | - Unallocable assets/investments   |                                      |                                     |         | 35489.60  |                                      |                                     |         | 27284.58  |
|    | Total assets   |                                      |                                     |         | 87219.10  |                                      |                                     |         | 64365.33  |
| b) | Segment liabilities  | 19359.38                             | 801.69                              | 24.18   | 20185.25  | 10702.05                             | 569.69                              | 51.45   | 11323.19  |
|    | - Share capital, reserves and minority interests                                     |                                      |                                     |         | 52170.14  |                                      |                                     |         | 42465.09  |
|    | - Unallocable liabilities  |                                      |                                     |         | 14863.71  |                                      |                                     |         | 10577.05  |
|    | Total liabilities  |                                      |                                     |         | 87219.10  |                                      |                                     |         | 64365.33  |
|    |  | For the year ended March 31, 2008    |                                     |         |           | For the year ended March 31, 2007    |                                     |         |           |
| c) | Capital expenditure including capital work in progress                               | 5593.13                              | 23.01                               | 9.94    | 5626.08   | 2333.48                              | 163.12                              | -       | 2496.60   |
| d) | Depreciation   | 2189.03                              | 57.53                               | -       | 2246.56   | 2053.94                              | 78.33                               | 30.51   | 2162.78   |
| e) | Non cash expenditure other than depreciation   | 426.30                               | 42.50                               | -       | 468.80    | 218.45                               | 52.55                               | -       | 271.00    |



**SCHEDULE 16 – Notes to the consolidated accounts (contd.)**

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 2 in Schedule 16, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Segment revenue and expense only include items directly attributable to the segment. They do not include income from or loss on investments (other than relatable to the business activity of the investment subsidiaries), interest income from inter-corporate deposits and loans given, interest expense (excluding those relatable to segments) and bill discounting charges, donations and provision for taxation (current, deferred and fringe benefit tax). Since the corporate office of the Parent Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments (other than those held by the investment subsidiaries), inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits interest, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current, deferred and fringe benefit tax).

Rupees in lacs

|  | For the year<br>ended<br>31.3.2008 | For the year<br>ended<br>31.3.2007 |
|--|------------------------------------|------------------------------------|
|--|------------------------------------|------------------------------------|

13. Exceptional items comprise of :

Provision for luxury taxes on cigarettes and interest thereon reversed pursuant to orders passed by the tax authorities based on the Supreme Court judgement in January, 2005

- 240.59

14. In view of the Companies (Accounting Standards) Rules, 2006, exchange differences arising on repayment/restatement of term loan liabilities incurred for the purpose of acquiring fixed assets from outside India, hitherto adjusted in the carrying amount of the respective fixed assets, are now recognised as income/expense in the profit and loss account with effect from April 1, 2007. Accordingly, Rs.268.92 lacs has been recognised as income during the year.

15. Employee Benefits

The Company has during the year adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. In accordance with the revised accounting standard, the transitional benefit amounting to Rs 252.64 lacs has been adjusted in the profit and loss account during the year. The Company has classified the various benefits provided to employees as under -

I. Defined contribution plans and amounts recognized in profit & loss account

Rupees in lacs

|   |        |
|---|--------|
| - Employers' contribution to provident fund and employee's pension scheme | 499.29 |
| - Employers' contribution to superannuation fund                          | 261.14 |
| - Employers' contribution to employee's state insurance                   | 2.16   |

II. Other long term employee benefits (based on actuarial valuation)

- Compensated absences – amount recognized in profit and loss account – Rs. 620.66 lacs.

III. Defined benefit plans (based on actuarial valuation)

- Gratuity

In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same is given below:

A) Principal Assumptions

Gratuity (Funded)

- Discount rate (per annum) 7.65% / 7.75%
- Rate of increase in compensation level
  - Management: 9.0% p.a. for first 5 years & 7.00% p.a. thereafter
  - Non Management: 6% p.a.

- Expected rate of return on plan assets 7.50%
- Expected average remaining working lives of employees 10.80 / 10.01 years
- Retirement age 58 years

Rupees in lacs

B) Changes in the present value of obligation

|  |          |
|--|----------|
| • Present value of obligation as at April 1, 2007  | 2430.58  |
| • Interest cost                                    | 181.51   |
| • Current service cost                             | 119.56   |
| • Benefits paid                                    | (236.42) |
| • Actuarial (gain)/loss on obligations             | 676.59   |
| • Present value of obligation as at March 31, 2008 | 3171.82  |

C) Change in the fair value of plan assets

|  |          |
|--|----------|
| • Fair value of plan assets as at March 31, 2007 | 2525.04  |
| • Expected return on plan assets                 | 155.40   |
| • Actuarial gain/ (loss) on plan assets          | (8.48)   |
| • Contributions received                         | 102.14   |
| • Benefits paid                                  | (236.42) |
| • Fair value of plan assets as at March 31, 2008 | 2537.68  |

D) Excess of fair value over book value of plan assets

7.85

**SCHEDULE 16 – Notes to the consolidated accounts (contd.)**

|  | Rupees in lacs |  | Rupees in lacs |
|--|----------------|--|----------------|
| <b>E) Net liability recognized in the balance sheet as at March 31, 2008 (B-C+D)</b> | <b>641.99</b>  | <b>G) Expenses recognized in the profit and loss account</b> |                |
| <b>F) Constitution of plan assets</b>  |                | • Transitional (benefit)/ cost                               | (94.45)        |
| • Government Securities  | 1105.14        | • Current service cost                                       | 119.56         |
| • Public Sector Bonds  | 983.72         | • Interest cost  | 181.51         |
| • Special Deposit Schemes  | 341.73         | • Expected return on plan assets                             | (155.40)       |
| • Units of Mutual Funds  | 10.96          | • Net actuarial (gain)/ loss                                 | 685.07         |
| • Others   | 96.13          | • Excess of fair value over book value of plan assets        | 7.85           |
| • <b>Total</b>   | <b>2537.68</b> | • <b>Total</b>   | <b>744.14</b>  |

16. (a) Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:

|  | As at March 31, 2008              |                          | As at March 31, 2007              |                           |
|--|-----------------------------------|--------------------------|-----------------------------------|---------------------------|
| Particulars  | Amount in foreign Currency (Lacs) | Amount in Rs.Lacs        | Amount in foreign Currency (Lacs) | Amount in Rs.Lacs         |
| Loan funds   | 160.11 USD                        | 6422.18                  | 75.00 USD                         | 3270.00                   |
| Sundry debtors   | 55.16 USD<br>0.49 EURO            | 2202.55<br>31.44         | 29.95 USD<br>0.66 EURO            | 1287.55<br>37.74          |
| Current liabilities and provisions   | 9.95 USD<br>1.01 EURO<br>0.72 GBP | 399.09<br>64.10<br>57.69 | 3.64 USD<br>1.88 EURO<br>0.24 GBP | 158.70<br>109.68<br>20.61 |
| (b) Derivative instrument outstanding as at year end:  |                                   |                          |                                   |                           |
| (i) Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon | 13500.00 JPY                      | 4416.68                  | -                                 | -                         |
| (ii) Forward Exchange contracts to hedge future export proceeds  | 146.90 USD                        | 5805.49                  | -                                 | -                         |

17. Excise duty related to sales has been shown as deduction from gross sales and that related to the difference between the closing stock and opening stock has been disclosed as "Increase/(decrease) in excise duty on finished goods", on the face of the profit and loss account.

18. The figures for the previous year have been re-cast, wherever necessary to conform to the current year's classification.

S. SERU  
Chief Executive (Domestic)

R.N. AGARWAL  
Executive Vice President (Finance)

R. JOSHI  
Sr. Vice President & Company Secretary

New Delhi : 28<sup>th</sup> June, 2008

For and on behalf of the Board of Directors

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors